İHLAS EV ALETLERİ İMALAT SANAYİ VE TİCARET ANONİM ŞİRKETİ

FINANCIAL STATEMENTS and INDEPENDENT AUDIT REPORT for the JANUARY 1-DECEMBER 31, 2014 ACCOUNTING PERIOD

BİLGİLİ BAĞIMSIZ DENETİM VE YMM A.Ş.

(Member firm of AGN International

İHLAS EV ALETLERİ İMALAT SANAYİ VE TİCARET A.Ş.
INDEPENDENT AUDIT REPORT for the
JANUARY 1-DECEMBER 31, 2014 ACCOUNTING PERIOD

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. To the Board of Directors
We have audited the attached financial statements dated December 31, 2014, for İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. (Company), as well as its profit and loss statement, comprehensive income statement, statement of changes in equity, cash flow statement, summary of important accounting policies and footnotes for the year ending on the same date.

Responsibilities of the Company Management Regarding Financial Statements
Company Management is responsible for preparing the financial statements in accordance with the Turkish Accounting Standards (TAS), presenting them fairly, and performing the internal audits it deems necessary so as to prepare the financial statements free of critical mistakes arising from errors or fraud.

Responsibilities of the Independent Auditing Firm
We are responsible for presenting an opinion on these financial statements based on the independent audit we performed.
We have carried out the audit in compliance with the independent audit standards published
by the Capital Markets Board and with the Independent Audit Standards, which is published by the Public Oversight, Accounting and Auditing Standards Authority and which is a part of the Turkish Audit Standards Board. These standards require that ethical principles be followed and that the independent audit be planned and executed so as to establish reasonable assurance on whether the financial statements contain critical mistakes.

An independent audit involves the implementation of audit procedures with the goal of obtaining proof of audit on the financial statement figures and footnotes. Selection of these procedures is based on the independent auditor's professional judgment, which includes assessment of risks with regard to critical mistakes arising from errors or fraud. While assessing the risks, the independent auditor scrutinizes the company's internal audit regarding the preparation of financial statements and their fair presentation, with the aim of determining suitable audit procedures for the conditions. Nevertheless, this assessment does not intend to provide an opinion with regard to the effectiveness of the company's internal audit. An independent audit encompasses an assessment on the presentation of the financial statements as a whole, as well as whether the management's accounting policies are suitable and the accounting projections are reasonable.

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

Opinion
In our opinion, the attached financial statements accurately reflect, in all critical aspects, the financial status, financial performance and cash flow of İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. for the period ending on December 31, 2014, in compliance with the financial reporting standards published by the Capital Markets Board.

Report on the Independent Auditor's Responsibilities Arising from Other Relevant Legislation
On March 2, 2015, the Board of Directors of the company was presented the Audit Report on the Early Detection of Risk System and Committee, prepared pursuant to Article 398/4 of the Turkish Commercial Code (TCC) No. 6102.

Pursuant to Article 402/4 of the TCC, during the January 1-December 31, 2014, fiscal year, no significant reservations were identified regarding compliance of the company's bookkeeping and financial statements with the law and with the company's Articles of Association on financial reporting.

According to the same article of the TCC, the Board of Directors provided the explanations and documents requested by us.

Istanbul, March 2, 2015
BİLGİLİ BAĞIMSIZ DENETİM ve
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

RAFET KALKAN
Responsible Partner, Lead Auditor
Sworn-in Financial Advisor

TABLE OF CONTENTS PAGE NO.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

December 31, 2013-December 31, 2014 Period
Financial Statements
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

		Based on Independent Audit	
	Footnote References	Audited December 31, 2014	Audited December 31, 2013
ASSETS			
Current Assets		189,204,447	171,427,777
Cash and Cash Equivalents	6	39,215	694,551
Financial Investments	7	0	762,777
Trade Receivables	10	99,594,807	90,588,201
-Trade Receivables from Related Parties	10-38	19,159,217	14,581,919
-Trade Receivables from Non-Related Parties	10	80,435,590	76,006,282
Financial Receivables	12	0	0
Other Receivables	11	37,088,623	21,278,805
-Other Receivables from Related Parties	11-38	36,721,783	19,679,142
-Other Receivables from Non-Related Parties	11	366,840	1,599,663
Derivative Instruments	15	0	0
Inventories	13	49,154,602	51,573,180
Live Assets	14	0	0
Prepaid Expenses	24	3,325,184	3,471,663
Current Tax Assets	25	2,016	1,580
Other Current Assets	26	0	3,057,020
(Subtotal)		189,204,447	171,427,777
Fixed Assets Held for Sale	35	0	0
Fixed Assets		56,581,755	95,844,172
Financial Investments	7	591,650	814,760
Trade Receivables	10	0	0
Financial Receivables	12	0	0
Other Receivables	11	21,652	245,031
Derivative Instruments	15	0	0
Investments Valued by Equity Method	16	16,378,387	0
Live Assets	14	0	0
Investment Properties	17	31,740,000	36,320,487
Tangible Fixed Assets	1	3,287,345	5,590,579
Intangible Fixed Assets	19	185,547	42,217,248
-Goodwill		0	36,346,849
-Other Intangible Assets		185,547	5,870,399
Prepaid Expenses	24	211,756	35,470
Deferred Tax Asset	36	4,165,418	10,620,597
Other Fixed Assets	26	0	0
TOTAL ASSETS		245,786,202	267,271,949

Attached footnotes are supplementary pieces of the financial statements.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

December 31, 2013-December 31, 2014 Period
Financial Statements

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

		Based on Independent Audit	
	Footnote References	Audited December 31, 2014	Audited December 31, 2013
Liabilities and Shareholders' Equity			
Short-Term Liabilities		47,606,704	74,495,854
Short-Term Borrowing	8	1,517,367	38,692,678
Other Financial Liabilities	9	0	0
Financial Payables	10	37,502,813	31,116,281
-Trade Payables to Related Parties	10-38	267,781	388,706
-Trade Payables to Non-Related Parties	10	37,235,032	30,727,575
Financial Payables	12	0	0
Employee Benefits Payable	22	1,816,106	1,218,391
Other Payables	11	0	0
-Other Payables to Related Parties		0	0
-Other Payables to Non-Related Parties		0	0
Derivative Instruments	15	0	0
Government Incentives and Grants	20	0	0
Deferred Income	24	1,242,840	567,028
Deferred Tax Liability	36	0	0
Short-Term Provisions		0	62,477
-Short-Term Provisions for Employee Benefits	22	0	0
-Other Short-Term Provisions	21	0	62,477
Other Short-Term Liabilities	26	5,527,578	2,838,999
(Sub Total)		47,606,704	74,495,854
Liabilities for Asset Groups Classified as Held for Sale	35	0	0
Long-Term Liabilities		6,880,302	6,340,808
Long-Term Borrowing	8	0	0
Other Financial Liabilities	9	0	0
Financial Payables	10	0	0
Financial Payables	12	0	0
Other Payables	11	0	0
Derivative Instruments	15	0	0
Government Incentives and Grants	20	0	0
Deferred Income	24	0	0
Long-Term Provisions		4,768,373	4,292,133
-Long-Term Provisions for Employee Benefits	22	4,149,798	3,529,702
-Other Long-Term Provisions	21	618,575	762,431
Current Tax Payables	25	0	0
Deferred Tax Liability	36	1,423,953	2,048,675
Other Long-Term Liabilities	26	687,976	0
SHAREHOLDER'S EQUITY		191,299,196	186,435,287
Parent Company's Shareholders' Equity		191,299,196	170,519,623
Paid-in Capital	27	191,370,001	191,370,001
Share Premiums/Discounts	27	6,534,581	6,534,581
Other Comprehensive Income/ Expense not to be Reclassified in Profit or Loss	27	24,243	226,307
-Profit/Losses from Revaluation and Measurement		0	21,608
-Other Profits/Losses		24,243	204,699
Other Capital Reserves	27	0	4,890,469
Other Reserves	27	0	(8,020,139)
Restricted Reserves Derived from Profit	27	2,582,146	3,524,613
Retained Earnings/Loss	27	(20,540,437)	(4,734,201)
Net Profit/(Loss) for the Period	37	11,328,662	(23,272,008)
Non-Controlling Interests	27	0	15,915,664
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		245,786,202	267,271,949

Attached footnotes are supplementary pieces of the financial statements.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

January 1-December 31, 2013 and January 1-December 31, 2014 Accounting Period

Profit and Loss and Other Comprehensive Income Statements

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

		Based on Independent Audit	
	Footnote References	Audited January 1, 2014-December 31, 2014	Audited January 1, 2013-December 31,
CONTINUED OPERATIONS			
Revenue	28	98,497,013	108,097,245
Cost of Sales (-)	28	(89,133,357)	(90,168,636)
Gross Proft/(Loss) from Trade Operations		9,363,656	17,928,609
Revenues from Finance Operations	28	0	0
Cost of Finance Operations (-)	28	0	0
Gross Profit/(Loss) from Finance Operations		0	0
GROSS PROFIT/LOSS		9,363,656	17,928,609
Administrative Expenses (-)	29-30	(8,116,154)	(9,563,421)
Marketing, Sales, and Distribution Expenses (-)	29-30	(2,882,050)	(3,658,156)
Research and Development Expenses (-)	29-30	(971,635)	(1,556,793)
Other Operating Income	31	15,723,673	9,157,603
Other Operating Expenses (-)	31	(9,196,190)	(11,488,358)
OPERATING PROFIT/LOSS		3,921,300	819,484
Income from Investments	32	12,296,871	18,526,136
Expenses from Investments (-)	32	(363,231)	(36,781,439)
Share of Investments Valued by Equity Method in Profit/(Loss)	16	(569,141)	0
OPERATING PROFIT/(LOSS) BEFORE FINANCING EXPENSES		15,285,799	(17,435,819)
Financial Expenses (-)	33	(7,723,914)	(12,360,219)
Financial Income	34	5,953,261	858,454
PRETAX PROFIT/(LOSS) FROM CONTINUING OPERATIONS		13,515,146	(28,937,584)
Tax (Expense)/Income from Continuing Operations	36	(2,186,484)	5,237,853
-Tax (Expense)/Income of the Period	36	0	0
-Deferred Tax (Expense)/Income	36	(2,186,484)	5,237,853
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	37	11,328,662	(23,699,731)
PROFIT/(LOSS) FROM CEASED OPERATIONS	35-37	0	0
PROFIT/(LOSS) FOR THE PERIOD	37	11,328,662	(23,699,731)
Distribution of Profit/(Loss) for the Period	37	11,328,662	(23,699,731)
Non-Controlling Interests	37	0	(427,723)
Parent Company Shares	37	11,328,662	(23,272,008)
Profit/(Loss) per Share	37	0.059	(0.124)
Profit/(Loss) per Share from Continuing Operations	37	0.059	(0.124)
Profit/(Loss) per Share from Ceased Operations	37	-	-
Diluted Profit/(Loss) per Share	37	-	-
Diluted Profit/(Loss) per Share from Continuing Operations		-	-
Diluted Profit/(Loss) per Share from Ceased Operations		-	-

Attached footnotes are supplementary pieces of the financial statements.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

January 1-December 31, 2013 and January 1-December 31, 2014 Accounting Period

Profit and Loss and Other Comprehensive Income Statements

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

		Based on Independent Audit	
	Footnote References	Audited January 1, 2014- December 31, 2014	Audited January 1, 2013- December 31, 2013
PROFIT/(LOSS) FOR THE PERIOD	37	11,328,662	(23,699,731)
OTHER COMPREHENSIVE INCOME		(180,456)	124,082
Items not to be Reclassified in Profit or Loss		(180,456)	124,082
Tangible Fixed Assets Revaluation Increase/Decrease		0	35,642
Defined Benefit Plans Re-measurement Gains/Losses	22-27	(180,456)	90,222
Taxes for Other Comprehensive Income not to be Reclassified in Profit or Loss	36	0	(1,782)
Items to be Reclassified in Profit or Loss		0	0
TOTAL COMPREHENSIVE INCOME		11,148,206	(23,575,649)
Distribution of Total Comprehensive Income			
Non-Controlling Interests		0	(415,471)
Parent Company Shares		11,148,206	(23,160,178)

Attached footnotes are supplementary pieces of the financial statements.

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

January 1-December 31, 2013 and January 1-December 31, 2014 Accounting Period

Statement of Changes in Shareholder's Equity

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

							Other Comprehensive Income/Expense not to be Reclassified in Profit or Loss		Retained Earnings			
	Note	Paid-in Capital	Share Premiums/Discounts	Other Capital Reserves	Other Reserves	Restricted Reserves Derived from Profit	Profit/Losses from Revaluation and Measurement	Actuarial Gains/(Losses) Fund from Pension Plans	Prior Years' Earnings/Loss	Net Profit/Loss for the Period	Non-Controlling Interests	Total
January 1, 2014		191,370,001	6,534,581	4,890,469	(8,020,139)	3,524,613	21,608	204,699	(4,734,201)	(23,272,008)	15,915,664	186,435,287
Adjustment in Special	27	0	0	0	0	145,085	0	0	0	0	0	145,085
Effect of the Subsidiaries	27	0	0	(4,890,469)	8,020,139	(1,087,552)	(21,608)	0	7,465,772	0	(15,915,664)	(6,429,382)
Transfers	27	0	0	0	0	0	0	0	(23,272,008)	23,272,008	0	0
Total Comprehensive	27	0	0	0	0	0	0	(180,456)	0	11,328,662	0	11,148,206
December 31, 2014		191,370,001	6,534,581	0	0	2,582,146	0	24,243	(20,540,437)	11,328,662	0	191,299,196

							Other Comprehensive Income/Expense not to be Reclassified in Profit or Loss		Retained Earnings			
	Note	Paid-in Capital	Share Premiums/Discounts	Other Capital Reserves	Other Reserves	Restricted Reserves Derived from Profit	Profit/Losses from Revaluation and Measurement	Actuarial Gains/(Losses) Fund from Pension Plans	Prior Years' Earnings/Loss	Net Profit/Loss for the Period	Non-Controlling Interests	Total
January 1, 2013		191,370,001	6,534,581	4,890,469	0	2,865,403	0	114,477	(25,280,476)	20,546,275	17,085,969	218,126,699
Adjustment in Special	27	0	0	0	0	512,139	0	0	0	0	0	512,139
Transactions with Non-controlling Shareholders	27	0	0	0	(8,020,139)	0	0	0	0	0	0	(8,020,139)
Increase/Decrease Related to Share	27	0	0	0	0	147,071	0	0	0	0	(754,834)	(607,763)
Transfers	27	0	0	0	0	0	0	0	20,546,275	(20,546,275)	0	0
Total Comprehensive	27	0	0	0	0	0	21,608	90,222	0	(23,272,008)	(415,471)	(23,575,649)
December 31, 2013		191,370,001	6,534,581	4,890,469	(8,020,139)	3,524,613	21,608	204,699	(4,734,201)	(23,272,008)	15,915,664	186,435,287

Attached footnotes are supplementary pieces of the financial statements.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

January 1-December 31, 2013 and January 1-December 31, 2014 Accounting Period

Cash Flow Statements

(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

		Based on Independent Audit	Audited
	Footnote Ref.	Current Period December 31, 2014	Previous Period December 31, 2013
Cash Flows Generated from Operating Activities			
Profit/(Loss) for the Period	37	11,328,662	(23,272,008)
Adjustments For Net Income/Loss Reconciliation			
Adjustments For Depreciation and Amortization Expenses	18-19	1,535,501	1,926,474
Adjustments For Severance Pay Provision	22-30	1,472,783	1,963,299
Adjustments For Sale of Subsidiaries' Shares	32	(4,640,346)	-
Adjustments For Tax Expense/Income	36	2,186,484	(5,237,853)
Profit/Loss from Non-controlling Interests	37	0	(427,723)
Adjustments For Interest Income	34	(5,953,261)	(858,454)
Adjustments For Interest Expenses	33	5,735,516	9,777,101
Adjustments For Value Decreases in Long-term Financial Investments	32	363,231	655,903
Adjustments to Gains/Losses from Disposal of Fixed Assets	32	(1,967)	(807,526)
Adjustments For Value Decreases in Goodwill	31	0	1,373,656
Adjustments For Provisions for Value Increases and Impairment of Investment Properties	32	(7,620,000)	(8,210,754)
Adjustments For Other Expenses/Income not Requiring Cash Inflow/Outflow		1,082,432	(656,442)
Changes in Working Capital			
Adjustments For Increase/Decrease in Financial Investments		699.501	86,496,208
Adjustments For Increase/Decrease in Trade Receivables from Related Parties		(5,818,059)	(513,278)
Adjustments For Increase/Decrease in Trade Receivables from Non-Related Parties		(4,699,726)	(26,330,472)
Adjustments For Increase/Decrease in Other Receivables from Non-Related Parties		1,153,558	(1,350,804)
Adjustments For Increase/Decrease in Other Receivables from Related Parties		(30,463,780)	(7,584,339)
Adjustments For Increase/Decrease in Inventories		1,457,252	(15,180,761)
Adjustments For Increase/Decrease in Prepaid Expenses		(1,526,035)	1,625,736
Adjustments For Increase/Decrease in Current Tax Assets		(1,131)	(224)
Adjustments For Increase/Decrease in Other Current Assets		3	(10,292)
Adjustments For Increase/Decrease in Trade Receivables to Non-Related Parties		6,954,183	(2,684,344)
Adjustments For Increase/Decrease in Trade Receivables to Related Parties		94,694	(312,878)
Adjustments For Increase/Decrease in Employee Benefits Payable	22	597,715	383,137
Adjustments For Increase/Decrease in Deferred Income		923,811	(664,992)
Adjustments For Increase/Decrease in Other Short- and Long-Term Payables		4,141,559	(73,998)
Severance Payments	22	(1,033,143)	(862,308)
Cash Flows Generated from Operating Activities (A)		(22,030,563)	9,162,064
Cash Flows from Investments			
Cash Outflows Arising from Purchases of Investment Properties and Tangible Assets	17-18	(748,610)	(2,085,096)
Cash Outflows Arising from Purchases of Intangible Assets	19	(56,668)	(232,307)
Cash Inflows Arising from Sales of Investment Properties and Tangible Assets		0	9,988,920
Net Cash Outflows from Purchase or Sale of Non-controlling Interests		59,521,900	(8,616,323)
Cash Inflows from Government Incentives	20-27	145,085	512,139
Cash Flows Generated from Investment Activities (B)		58,861,707	(432.,667)
Cash Flows Generated from Financing Activities			
Received Interest	34	5,953,261	858,454
Paid Interest	33	(5,735,516)	(9,777,101)
Cash Inflow/(Outflow) Arising from Borrowing	8	(37,175,311)	(649,581)
Cash Flows Used in Financing Activities (C)		(36,957,566)	(9,568,228)
Net Increase/Decrease in Cash and Cash Equivalents (D=A+B+C)		(126,422)	(838,831)
Cash and Cash Equivalents at the Beginning of the Period (E)	6	694,551	1,533,382
Beginning Period Cash Balance of Companies not Included in the Consolidation (F)		(528,914)	-
Cash and Cash Equivalents at the End of the Period (G=D+E+F)	6	39,215	694,551

Attached footnotes are supplementary pieces of the financial statements.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.
Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Note 1 – Organization and Area of Activity of the Company

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. (Company) is headquartered at Merkez Mahallesi, 29 Ekim Cad., İhlas Plaza, No: 11 B/21 Yenibosna, Bahçelievler, ISTANBUL. It is a taxpayer registered at the Marmara Corporate Tax Office with registration number 470 007 3778. The company is in the business of home appliances manufacturing at the Istanbul Beylikdüzü, BOSB Mermerciler Sanayi Sitesi 7. Cd. No:12 and Istanbul Beylikdüzü, BOSB Mermerciler Sanayi Sitesi 2. Bulvar No:11 business addresses. The Company also has a warehouse at the Hastane Mah., Hadımköy Nakkaş Yolu Cad. No:21 Arnavutköy, Istanbul address.

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 quartz heater plant, a carpet cleaner plant, and a carbon filling plant with a total indoor area of 21,075 square meters.

The Company is registered with the Istanbul Chamber of Commerce and the Istanbul Chamber of Industry under Registry numbers 135455 and 17984, respectively. The Company obtained a capacity report with No. 2013-1481 on July 29, 2013 from the Istanbul Chamber of Industry to be valid until July 30, 2016.

Breakdown of the Company's staff based on category:

Number of Employees	December 31, 2014	December 31, 2013
Laborers	154	187
Administrators	42	79
TOTAL	196	266

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

	December 31, 2014		December 31, 2013	
Title	Share (%)	Share Amount (TL)	Share (%)	Share Amount (TL)
İhlas Pazarlama Yatırım Holding A.Ş.	17.60	33,681,000	17.60	33,681,000
İhlas Holding A.Ş.	4.43	8,483,277	7.55	14,445,795
Open to the Public	77.97	149,205,724	74.83	143,205,723
Other	-	-	0.02	37,483
Total	100.00	191,370,001	100.00	191,370,001

The Company's indirect partnership structure is as follows:

	December 31, 2014		December 31, 2013	
Title	Share (%)	Share Amount (TL)	Share (%)	Share Amount (TL)
Open to the Public	96.43	184,535,533	95.59	182,937,065
Ahmet Mücahid Ören	2.92	5,580,320	2.72	5,206,499
Other	0.65	1,254,148	1.69	3,226,437
TOTAL	100.00	191,370,001	100.00	191,370,001

The breakdown of the Company's privileged shares (Group A shares) is as follows:

Partner Name / Title	Series	Group	Bearer/	Number of	AMOUNT
İhlas Pazarlama Yatırım Holding A.Ş.	I	A	Bearer	4,049,920	40,499
İhlas Holding A.Ş.	I	A	Bearer	803,220	8,032

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

The Members of the Board of Directors are selected among candidates nominated by group (A) shareholders: 3 members if the Board of Directors is made up of 5 people, 4 members if the Board of Directors is made up of 7 people, 5 members if the Board of Directors is made up of 9 people, and 6 members if the Board of Directors is made up of 11 people. In the event that amendment to the Articles of the Company infringes the rights of the privileged shareholders, the resolution of the Board of Directors must be approved by the board of shareholders.

Subsidiaries Included in the Consolidation through Equity Method

İhlas Madencilik A.Ş. (İhlas Madencilik): The company engages in mining operations. The Company previously included İhlas Madencilik A.Ş. in the consolidation through the full consolidation method in the prior periods. However, after its share in this company fell below 50 percent, the Company began to consolidate it through the equity method as of April 1, 2014.

Furthermore, Detes Enerji Üretim A.Ş., which had been included in the consolidation through the full consolidation method up until March 31, 2014, has been removed from the consolidation since it is not active.

Note 2 – Principles on Presentation of Financial Statements

A. Fundamental Presentation Principles

Accounting Standards Applied

The Company keeps accounting records and statutory financial statements in Turkish lira (TL) in compliance with trade legislation, financial legislation and Uniform Chart of Accounts requirements issued by the Ministry of Finance. Based on the Company's legal records, financial statements have been rectified and classified so as to ensure compliance with the Turkish Accounting Standards (TAS) and the Turkish Financial Reporting Standards (TFRS), issued by the Public Oversight Accounting and Auditing Standards Authority, and with the appendices and footnotes related to them.

The Capital Markets Board Communiqué Serial II, No: 14.1 on "Principles Regarding Financial Reporting in Capital Markets" was issued on the Official Gazette dated June 13, 2013, and entered into effect on the date of issue to be valid as of the interim period financial reports ending after April 1, 2013. The communiqué sets the policies, procedures and principles on the financial statements that will be drawn up by the businesses, and on their preparation and submission to the authorities. This communiqué annuls the Communiqué Serial XI, No: 29 on "Principles Regarding Financial Reporting in the Capital Markets."

In the preparation of financial statements, businesses refer to the TAS and TFRS provisions issued by the Public Oversight, Accounting and Auditing Standards Authority (POA) in compliance with the provisions of the Capital Markets Board Communiqué Serial: II, No: 14.1 on "Principles Regarding Financial Reporting in Capital Markets." Accordingly, the attached financial statements have been prepared based on the TAS and TFRS, and on the related appendices and comments. Moreover, the financial statements and footnotes have been presented in the formats and with the information required by the POA.

Consolidation Principles

In the case that the business, in which direct or indirect investment is made, holds 20-50 percent of the voting rights, unless clearly proven otherwise, a significant impact is considered to be present in the aforementioned transaction and the invested business is considered as a subsidiary.

Investments in the subsidiaries are consolidated through the equity method. According to this method, the subsidiary investment is initially recorded with the acquisition cost. After the acquisition date, the book value of the investment is increased or decreased so as to reflect in the financial statements the investor's share in the invested business' profit or loss. Investor's share in the profit or loss of the invested business is entered into the books as profit or loss of the investor. Also, the goodwill relating to the subsidiary is included in the book value of the subsidiary investment.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.
Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

The following table shows the effective share ratio owned by the subsidiaries that are entered into the books through the equity method as of the balance sheet date:

Subsidiaries Consolidated through the Equity Method	Effective Share %
İhlas Madencilik A.Ş.	31.81

Pursuant to TAS 39, available-for-sale financial asset classification and book-keeping was applied to the subsidiaries and long-term securities, on which the Company does not have a significant effect, or which are of no importance in terms of financial statements, or which are not traded in organized markets, or of which reasonable values cannot be established reliably, and to the long-term securities that are traded in organized markets. Shares and titles of related companies are as depicted below.

Subsidiaries Not Included in the Consolidation (Based on effective share ratio)

Company Title	Share (%)
Detes Enerji Üretim A.Ş. (Detes Enerji)	99.85%
İhlas Gazetecilik A.Ş.	1.03%
Mir Maden İşletmeciliği Enerji ve Kimya San. Tic. Ltd. Şti	0.63%

New and revised standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements, belonging to the accounting period ending as of December 31, 2014, are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2014. These standards and interpretations have not had a significant effect on the Company's financial status or performance.

Following are the new standards, amendments and interpretations that are effective as of January 1, 2014: TAS 32

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

The amendment brings clarification to the "current legal rights with regard to offsetting the recognized amounts" as well as to the application area of the TAS 32 offsetting principle in the non-concurrent and gross payment offsetting systems (such as the clearing offices). The amendments will be effective retrospectively for the annual accounting periods starting on or after January 1, 2014. The aforementioned standard has not had a significant effect on the Company's financial status or performance.

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively, only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after January 1, 2014, with early implementation permitted. Retrospective application of this interpretation is required. This interpretation does not apply to the Holding and is not expected to have a significant impact on the financial position or performance of the Company.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.
Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

TAS 36 Impairment of Assets-Recoverable Amount Disclosures for Non-Financial assets (Amendment)

The TFRS, as a consequential amendment to TFRS 13 Fair Value Measurement, modified some of the disclosure requirements in TAS 36 Impairment of Assets, regarding measurement of the recoverable amount of impaired assets. The amendment requires additional disclosures about measuring the recoverable amount by deducting the real value of the impaired assets (or a group of assets) from the fair disposal cost. The amendment will be effective retrospectively for the annual accounting periods starting on or after January 1, 2014. The aforementioned standard has not had any significant effect on the Company's financial status or performance.

TAS 39 Financial Instruments: Recognition and Measurement- Transfer of Derivatives and Continuation of Hedge Accounting (Amendment)

TAS 39 Financial Instruments: Amendment to the Recognition and Measurement standard introduces a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be transferred to a central counterparty, as a result of laws or regulations. The amendment will be effective retrospectively for the annual accounting periods starting on or after January 1, 2014. The aforementioned standard has not had a significant effect on the Company's financial status or performance.

TFRS 10, TFRS 12 and TAS 28: Investment Enterprises: Application of consolidation exception (Amendment to TFRS 10 and TAS 28)

TFRS 10 has been amended to bring an exception with regard to exempting the companies that fit the description of an investment entity from the consolidation provisions. The exception introduced to the consolidation provisions require recognition of subsidiaries by the investment entities based on real value pursuant to the provisions of the TFRS 9 Financial Instruments standard. TAS 39 Financial Instruments when businesses do not apply TFRS 9: Recognition is required based on fair value, pursuant to the provisions of Recognition and Measurement. The aforementioned amendment has not had a significant effect on the Company's financial status and performance.

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

The following are the new standards, interpretations and amendments, which have been issued as of the financial statements' approval dates, but have not been entered into effect for the current reporting period, and which the Company has not begun implementing early. Unless otherwise stated, the Company will apply the necessary amendments that would affect its financial statements and footnotes after the new standards and interpretations enter into effect.

TFRS 9 Financial Instruments – Classification and Measurement

Pursuant to the amendment made in December 2012, the new standard will be effective for annual periods beginning on or after January 1, 2015. The first phase of the TFRS 9 Financial Instrument standard introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 affect mainly the classification and measurement of financial assets and the measurement of fair value option (FVO) liabilities, and they require that the change in fair value of a FVO financial liability attributable to credit risk is presented under Other Comprehensive Income table. The Company is assessing the amendment's impact on the financial position and performance of the standard.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

The new and amended standards and interpretations that are issued by the International Accounting Standards Board (IASB) but not by the POA:

The following new standards, interpretations and amendments to existing IFRS standards have been issued by the IASB but have not been entered into effect for the current financial reporting period. However, these new standards, interpretations and amendments to existing IFRS standards are not yet adapted to/issued in the TFRS by the POA, thus they do not constitute part of the TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations have been issued and become effective under the TFRS.

IFRS 9 "Financial Instruments - Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)"

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to the IAS 39 and the IFRS 7.

Entities can adopt an accounting policy so as to continue applying the hedge accounting requirements of IAS 39 for all of their hedging transactions. The standard does not have a mandatory effective date, but it is currently applicable, and a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. Annual accounting periods starting from January 1, 2018, have been set as the temporary effective date. The Company will assess the impact of the amendment on the financial position and performance of the standard after other phases have been issued.

IAS 19 – Employee Benefits – Defined Benefit Plans: Employee Contribution (Amendment)

Employee or third party contributions must be taken into account during recognition of the benefit plans that are defined according to the IAS 19. The amendment clarifies that if the contribution amount is independent of the number of years served, businesses can recognize the contributions by deducting them from the cost of service in the year the service was provided, rather than spreading them to the periods of service. The amendment will be effective retrospectively for the annual accounting periods starting on or after July 1, 2014. The aforementioned amendment is expected to have no significant effect on the Company's financial status and performance.

IFRS 14 Regulatory Deferral Accounts

In 2012, the IASB initiated a comprehensive project on Activities with Regulated Rates. As part of the project, the IASB issued a limited-scope standard as a temporary solution for the first-time IFRS implementers within the businesses with regulated rates. This standard allows first-time IFRS implementers to continue to recognize the amounts related to rate regulation, in accordance with their previous legislation when they adopt the IFRS. The standard is effective for annual periods beginning on or after January 1, 2014, with early implementation permitted. The amendment is expected to have no significant effect on the Company's financial status and performance.

IAS 16 Tangible Fixed Assets and IAS 41 Agricultural Activities: Bearer Plants (Amendments)

In June 2014, the IASB issued an amendment on recognizing the "bearer plants" within the scope of the "IAS 16-Tangible Fixed Assets" standard. The issued amendment states that bearer plants in biological asset classification such as grape vine, rubber tree or date palm produce crops in more than one period after their maturity, and that business keep them for their yield lifespan. However, bearer plants do not go through significant biological transformation once they are matured, and their function is similar to that of production. As such, the amendment sets forth that they should be recognized within the scope of IAS 16, instead of IAS 41, and it allows bearer plants to be valued through the "cost model" or the "revaluation model." Meanwhile, the produce on the bearer plants will be recognized according to their fair value less costs to sell model in IAS 41. The amendments will be effective prospectively for the annual accounting periods starting on or after January 1, 2016.

Early adoption is permitted. The amendment does not apply to the Company and it is expected to have no significant effect on the Company's financial status and performance.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

IFRS 15 Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers standard in May 2014. The new five-phase model for the standards sets out the requirements for recognizing and measuring the revenue. The standard will apply to revenues arising from contracts with customers, and it sets a model for recognizing and measuring the sale of certain non-financial assets (e.g., intangible fixed asset sales) that are not related to the normal activities of a business. IFRS 15 will be effective prospectively for the annual accounting periods starting on or after January 1, 2017. Two alternatives are offered for transition to IFRS 15: full retrospective or modified retrospective application. When modified retrospective application is preferred, previous periods will not be re-adjusted, but comparative numerical information will be provided in the footnotes of financial statements. The Company is assessing the amendment's impact on its financial position and performance.

IAS 16 and IAS 38 – Clarification on applicable methods of depreciation and amortization

The amendment to IAS 16 Tangible Fixed Assets standard clearly states that the revenue-based amortization calculation method cannot be used in the amortization calculation of tangible fixed assets. The amendment to IAS 38 Intangible Fixed Assets standard sets forth a refutable assumption that it is not suitable to use revenue-based amortization calculation methods in amortization of intangible fixed assets.

These amendments will be effective prospectively for the annual accounting periods starting on or after January 1, 2016. Early adoption is permitted. The amendment is expected to have no significant effect on the Company's financial status and performance.

TFRS 11 – Recognition of shares acquired in joint activities

In May 2014, the IASB changed IFRS 11 so as to set guidance for accounting of partnership interest acquirement in joint arrangements of which their activities constitute a business.
The amendment requires that an entity that acquires partnership interest in a joint arrangement, of which its activities constitute a business, as stated in IFRS 3 Business Mergers, apply all principles with regard to business mergers stated in IFRS 3 and in other IFRS items, with the exception of those that contradict the guidance stated in this IFRS. In addition, the entity that is doing the acquisition must disclose the information required by IFRS 3 and other IFRS items regarding business mergers. The amendments will be effective prospectively for the annual accounting periods starting on or after January 1, 2016. Early adoption is permitted. The amendment is expected to have no significant effect on the Company's financial status and performance.

IFRS Improvements:

In December 2013, the IASB issued two sets of "Annual IFRS Improvements: "2010-2012 Period" and "2011-2013 Period."
The amendments will be effective on July 1, 2014, with the exception of those that affect "Justification of Decisions."

Annual improvements: 2010-2012 Period

IFRS 2 "Share-based Payments": Definitions relating to vesting conditions have changed, and the performance and service conditions are defined in order to clarify issues. The amendment will be applied prospectively.

IFRS 3 "Business Mergers": Contingent consideration in a business merger that is not classified as equity is subsequently measured at fair value through profit or loss, whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment will be applied prospectively for business mergers.

IFRS 8 "Operating Segments": The amendments are as follows:

i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard.

ii) The reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the decision-maker regarding the operations. The amendments will be applied retrospectively.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

IFRS 13 "Fair Value Measurement": As clarified in the Basis for Conclusions, short-term trade receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment will be effective immediately

IAS 16 "Tangible Fixed Assets" and IAS 38 "Intangible Fixed Assets": The amendment to IAS 16.35 (a) and IAS 38.80 (a)clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value, or

ii) Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the carrying amount is equal to the market value. The amendment will be applied retrospectively.

IAS 24 "Related Party Disclosures": The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment will be applied retrospectively.

Annual improvements: 2011-2013 Period

IFRS 3 "Business Mergers": The amendment clarifies that:

i) Joint arrangements, as well as joint ventures, are outside the scope of IFRS 3.

ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment will be applied prospectively.

IFRS 13 "Fair Value Measurement": Clarifies that the portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment will be applied prospectively.

IAS 40 "Investment Properties": The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner occupied property. The amendment will be applied prospectively.

The aforementioned amendments have not had a significant effect on the Company's financial status or performance.

Statement about Inflation Accounting and Reporting Currency

In accordance with a decision made by the CMB dated March 17, 2005, effective from January 1, 2005, companies that operate in the Turkish market and prepare financial statements according to the CMB Financial Reporting Standards do not need to apply inflation accounting. Therefore, starting from January 1, 2005, the TAS 29 standard titled "Financial Reporting Standard on High-Inflation Economies" published by the IASB was not applied to the Company's consolidated financial statements dated December 31, 2014.

The enclosed financial statements have been prepared in Turkish lira (TL) with the inclusion of the consolidated financial tables dated December 31, 2014, and the consolidated financial data from previous periods to be used for comparison.

As per TAS 21 standard "Effects of Foreign Currency Rate Changes," the company records foreign currency transactions based on the spot exchange rate amount that is calculated as the difference between the foreign currency and the functional currency at the time of the transaction.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

The following are the foreign currency closing rates published by the Central Bank of Turkey for the December 31, 2013, and December 31, 2014, period:

	Foreign Exchange Rates (TL/Foreign	
Currency	December 31,	December 31,
USD	2.3189	2.1343
EURO	2.8207	2.9365
GBP	3.5961	3.5114

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

The Company's financial statements are prepared comparatively with the previous year's so as to allow for the identification of financial status and performance trends. Financial statements from the previous year are re-classified to allow comparison when presentation or classification of financial statement items change.

In the event of retrospective application of any of the Company’s accounting policies, or retrospective adjustment of figures stated on an enterprise’s financial statements or reclassification of items in financial statements, footnotes will be provided regarding the financial statements (balance sheet) pertaining to at least three periods, and regarding the statements belonging to two periods for each of the other statements (other consolidated income statement, cash flow statement, statement of changes in equity).

The Holding presents its financial statements on the following periods:

- as of the end of the current period,
- as of the end of the previous period and
- as of the beginning of the most recent comparative period.

Offsetting

Assets-liabilities and income-costs are not entered into accounts, unless Standards or Interpretations stipulate or permit. Assets and liabilities are shown as net amounts when there is a legally enforceable right or when the assets and liabilities in question are intended to be assessed as net values or when the assets are acquired simultaneously with liabilities being met. Offsetting does not comprise showing assets in net amounts after deducting valuation accounts, such as provisions for decrease in inventory value or for doubtful receivables.

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.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

C. Changes and Errors in Accounting Policies and Estimates

Accounting policy changes resulting from the initial adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements, if any. Changes without any transition requirement, discretionary material changes in accounting policies and accounting errors are corrected retrospectively, and financial statements for the previous period are amended. Accounting projections for a single period are applied in that particular period, whereas those for future periods are applied both on the period when the change is made and also prospectively.

D. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, current deposits and other short-term highly liquid investments that have original maturities of three months or less, that are readily convertible into cash, and that do not pose a risk of significant value change. The book value of these assets are close to their fair values.

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.

When recognizing securities whose fair value difference is not reflected in the profit/loss, transaction costs directly associated with the acquisition of such securities are added to the fair value in question.

Marketable securities are composed of securities that are acquired for the purpose of profiting from short-term fluctuations in prices and similar elements; or securities that are a part of a portfolio aiming to profit in the short-term, independently of the reason for its acquisition; as well as bank deposits with a maturity longer than three months. Financial assets held for trading are measured at fair value when they are recognized for the first time. 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. Earnings and losses calculated during valuation are included in profit/loss accounts. Financial assets held for trading without an active market are recognized from amortized costs in the subsequent periods. Interest and dividends generated during the retention of marketable securities are indicated under interest incomes and dividend incomes, respectively. Trading transactions of securities held for trading become either recognized or derecognized according to the delivery dates.

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

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.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

Financial investments available-for-sale are financial investments that are not identified as investments to be held until maturity, or financial investments whose fair value difference is not reflected into profit/loss. Available-for-sale financial assets with an active market are valued at the fair market value, and the gains or losses resulting from this valuation are recognized as equities until they are derecognized as such. If there are no active markets for available-for-sale financial assets, they are valued at the amortized cost.

Trade Receivables

Trade receivables from future sales are recognized at the amortized cost based on the effective interest method. Short-term trade receivables that do not have a specified interest rate are recognized at billed value when the interest accrued has insignificant effect.

Imputed rate of interest is taken as a basis when effective interest rates of trade receivables are unknown. The Company uses LIBOR rates as the active interest rate, since its receivables and payables bear no cash value as required by commercial customs, and it does not apply late interest on sales.

Promissory notes and dated checks classified under trade receivables are subject to rediscounting and are reported at 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 as interest expense pursuant to the “TAS 39 Financial Instruments: Recognition and Measurement” standard.

Doubtful receivable provisions are recognized as expenses. Provision is the amount that offsets damage due to risk, according to the nature of the account or to economic conditions, and is assumed by the Company's management. There are several ways a receivable may be evaluated as doubtful:

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

Pursuant to TAS 1 "Presentation of Financial Statements," trade receivables are a part of the business capital used during the regular operating cycle of the business. Therefore, they are classified as short-term, even if they are to be collected over a period longer than 12 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.

Inventory acquisition costs are reduced to their net realizable values on the basis of each inventory item. The reduction is performed by allocating provisions for low inventory value. 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.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

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) and not for the purposes listed below:

a) To use in the manufacture or the supply of goods and services, or for administrative purposes; or
b) To sell through regular business flow.

Investment properties are held to earn rental income and/or capital gain (appreciation surplus).

The Company recognizes an investment property as an asset, provided that it meets the following criteria:

a) Possible inflow of property-related future benefits to the business, and
b) Reliable measurement of the investment property's cost.

An investment property is initially measured based on its 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 following periods, investment properties are valued by choosing either the fair value or the cost method, and the Company has used the former method in the valuation of its investment properties.

Fair value of an investment property is determined as the value that should be obtained when an asset changes hands among groups with information and desire in a mutual negotiation environment, or when a debt is paid. 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. The Company examined to assess whether any impairment or appreciation has occurred on investment properties and decided to associate the current period value increases with the income accounts from investment activities (Note 32) in the comprehensive income statement. Information regarding this valuation is presented in detail on Note 17.

Income or losses arising from fair value changes of an investment property are included in the profits or losses in the period when they occur, and they are recognized under other operating income/revenues.

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

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Tangible and Intangible Fixed Assets

B The cost of a tangible or intangible fixed asset item is included in the financial statements, only when the following conditions are met:

a) It is possible for the business to benefit from future economic benefits attributable to the asset; 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 or the revaluation model.

D The initial cost of the fixed assets includes the purchase price, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating.

The cost model is described as 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. Appreciation arising from valuation is associated with the growth fund in equities. Any depreciation is deducted from previous ones. Otherwise, it is recognized as an expense by being recorded under expenses from investing activities.

B When a fixed asset item is revalued, the accumulated depreciation at of the date of the revaluation is corrected in proportion to the change in the gross book value of the asset, and therefore the book value of the asset after the revaluation is equalized with the revalued value.

Provisions of the standards TAS 2 "Inventory" and TAS 16 "Tangible Fixed Assets" are applied for the transfers the Company makes from inventories to fixed assets to be used in operational activities. Accordingly, the transfer is based on the fair value at the time of the transfer.

Depreciation is measured by the straight-line method based on a pro-rata basis according to the useful lives and methods indicated below:

	Useful Life (Years)	Method
Machinery, plants, and equipment	1-12	Straight-Line
Vehicles, tools, and instruments	4-5	Straight-Line
Furniture and fixtures	1-10	Straight-Line
Other Intangible Assets	3-15	Straight-Line

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

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

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 the usage value, estimated cash flows in the future are discounted to their current value at the discount rate before tax, which reflects the risks particular to the asset in question. 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. Depreciation amounts of tangible fixed assets are recorded under administrative and sales expenses. While impairment losses are recorded under expense accounts from investment activities.

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 are recognized at their inflation-adjusted cost value as of December 31, 2004, for the items purchased prior to January 1, 2005; and by deducting accumulated amortization and permanent value losses from sales cost value, for the items purchased after December 31, 2004. 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 amounts of intangible fixed assets are recorded under administrative and sales expenses.

Profit or loss derived from disposal of tangible or intangible fixed assets is determined by comparing the net book value and the cost of sales, and it is recorded under income and expense account from investment activities in other comprehensive income statement.

Fixed Assets Held-for-Sale and Discontinued Operations

Assets are classified as fixed assets held-for-sale when the goal is to recover them through a sales transaction, rather than by using their registered book value. These assets may be an operational unit, sales groups, or a separate tangible asset. Sale of fixed assets held-for-sale is expected to be completed within 12 months following the balance sheet date. Various events or circumstances may extend the sale completion period sale beyond one year. 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, and

(a) represents a separate major line of business or geographical area of operations,
(b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or, (c) is a subsidiary acquired exclusively with a view to resale.

Fixed assets held-for-sale are valued at the lesser of book value or fair value. Impairment is recorded under the income statement of the related period when it is created with a lower fair value than the residual cost. In the current period, the Company does not have any held-for-sale asset or discontinued operation.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Impairment of Assets

An impairment test is performed in the event of circumstances or incidents in which it is not possible to recover the book value for the assets that are subject to deprecation and amortization. Impairment provision is recognized in the event that the book value of the asset exceeds the recoverable amount. Recoverable amount is the higher of an asset's fair value less the cost to sell or the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, for which impairment provisions are allocated, are reviewed at each reporting date for possible cancellation of impairment.

Taxation and Deferred Taxes

The Company's tax expense/income is the sum of its current tax costs/income and deferred tax costs/income.

Current year tax liability is to be calculated based on the part of taxable profit for the period. Taxable profit is different from the profit stated in the income statement as it excludes taxable or deductible income and expense items in previous years as well as the non-taxable or non-deductible items. The Company's current tax liability was calculated at the legal tax rate, or the rate that will be valid with certainty, on the balance sheet date.

Payable current taxes are offset 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 offset in the same manner.

Deferred tax is calculated by means of the unit credit method based on temporary differences between the recognized values of deferred tax assets and liabilities stated in consolidated financial statements and their tax values (balance sheet method/balance sheet liability method). These differences are classified into two groups: deductible or taxable. For all temporary differences that are considered to be tax deductible expenses, there must be a strong possibility that enough taxable income will be generated to suffice deduction of these expenses in the future periods, they are recognized by taking into account the deferred taxes, in the event that the transaction is not a part of a business merger or the it does not arise from the initial recognition of the debt. 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 law, tax schedules that are currently in effect or substantively in effect as of the balance sheet date are used when calculating the deferred tax.

While the deferred tax liability is calculated for all temporary differences, deferred tax assets arising from deductible temporary differences are calculated on the condition that the Company is highly likely to benefit from such differences by generating profit subject to taxation in the future (Note 36).

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

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Corporate tax exemption applies to the revenues arising from the sale of 75 percent of the properties, participation stocks, dividend right certificates and pre-emption rights that remain in the corporation's assets for at least two full years. In order to benefit from the exemption, such earnings must be held in a fund account under liabilities and not withdrawn for at least 5 years, and the sales revenue must be collected by the end of the second calendar year from the transaction completion date. Accordingly, 25 percent of the difference related to these assets is considered temporary differences.

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 price of the acquisition is more than the fair value of the acquired net assets, then the difference between these is reflected in the balance sheet as goodwill. If the price of the acquisition is less than the fair value of the acquired net assets, then the difference is reflected in the income statement as profit derived from business mergers.

According to TFRS 3 "Business Mergers," a provision of impairment in relation to goodwill is allocated if the goodwill's recoverable value is less than its book value, and if there are issues that can be considered an indication of impairment of an asset. 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.

Leasing

Financial Leasing:

Financial leases, which set forth the transfer of all risks and benefits related to the ownership of the asset that was leased to the Company, shall be recognized by reflecting lesser of either the fair value of the asset subjected to leasing or the present value of lease payments. 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.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Provisions for Employee Benefits

The severance payment provision explains the balance sheet date value of estimated total provisions for possible future liabilities which may arise when the Company personnel retires or employment relationship is terminated after completing at least one year of services in accordance with the Turkish Labor Law, or is called for military service, or dies. Actuarial valuation method is used for reduction of liabilities for severance liabilities. This was done by applying actuarial assumptions. 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 using a reference to market yields (compound interest rates) of government bonds (on the balance sheet date). In other words, an inflation-adjusted net interest rate (real interest rate) is used (Note 22).

Within this context, as an institution subject to labor law, a provision for severance pay was calculated in accordance with the"International Accounting Standard Regarding Benefits Provided to Employees" (TAS 19), and by using the actuarial method for future liability amounts which may arise if the entire staff were to become retired, discontinue their working relations after completing a minimum of one year of service, were all called to duty for military service, or in the event of death; the calculated severance pay is recognized in the attached consolidated financial statements.

The assumptions used in the calculation of the severance payment provisions are explained in Note 22.

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. For the provisions in which the time value of the money is of importance, it is assumed that there are no risks or uncertainties when determining the estimated cash flows. The reduction of these provisions is performed by using the estimated cash flow and the risk-free discount rate, which is based on similar term government bonds. 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.

There may be liabilities or assets that can be confirmed depending on whether one or more future uncertain event, which arise from past events and of which existence is out of the entity's control, take place. They are considered contingent liabilities and assets. As such, they are not included in the financial statements and are explained in footnotes (Note 21).

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

Warranty Provisions

Warranty provisions are allocated in lieu of maintenance-repair costs incurred by companies for the goods they manufacture and sell; labor and material costs incurred by authorized services within the guarantee period for such goods while charging nothing to their customers; initial maintenance costs undertaken by companies; and, for products whose turnover was recorded as income in the current year, estimated levels of possible returns and repairs of such goods in consequent years, based on the previous year’s data (Note 21).

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. Revenues are shown as net values after deducting discounts, value-added tax and sales taxes. The following criteria are required for the revenue to be generated.

Sale of Goods:

Revenue is considered to be created when the risk and benefit from the sold goods are transferred to the buyer, and the revenue amount can be calculated reliably. Net sales consist of the invoiced selling price, after discounts and commissions are 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:

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net book value. The Company’s forward sales interest income arising from trade receivables are recognized in other operating income.

Dividends:

Dividend income generated from equity investments is recognized when shareholders gain dividend rights.

Revenue is measured at the fair value of the consideration receivable. In the event of forward sales, the difference between the nominal and fair value (discounted value) of the sales is recognized as interest expense pursuant to the “TAS 39 Financial Instruments: Recognition and Measurement” standard.

In cases where the result of a transaction related to a sale of services can be estimated in a reliable manner, the revenue regarding the transaction is recognized by taking into consideration the completion level of the procedure on the date of the balance sheet.

The completion level of each service transaction is determined through 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 methods are as follows: a) investigations related to the work completed, b) the ratio of the services to be provided until the date of the balance sheet to the total of the services provided, and c) the ratio of total costs incurred until the present day to the estimated total costs.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

Financial Income/Expenses that have not been Accrued

Financial income/expenses that have not been accrued represent financial income and expenses that exceed forward sales and purchases. During the period of the credit sales and purchases, these revenues and expenses are calculated based on the effective interest method, and they are shown under financial income and expenses.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, building or manufacturing of a qualifying asset are recognized as a part of the cost of the related asset. These types of costs are included in the cost of the qualifying asset when they can be measured reliably and when it is likely for the business to benefit from future economic use. All other borrowing costs are recognized as expenses in the income statement when they are incurred.

In the following periods, they are provided in financial statements at a discounted value. The difference between cash inflow and repayment value is written off in the income statement for the duration of the borrowing period.

Profit per Share

Profit per share is calculated by the ratio of the net profit or loss for the period belonging to ordinary shareholders to the weighted average number of ordinary shares within 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 Derecognition of Financial Instruments:

The Company reflects financial assets or financial liabilities in its balance sheet only when it is a party to the financial instrument agreement. The entity must derecognize a financial asset or part of a financial liability when the entity does not control the asset. All financial liability should be removed from the balance sheet only when the obligation specified in the contract is discharged, cancelled, or expired.

Fair value of financial instruments:

Fair value is the amount at which an asset may be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction, and if this exists, the fair value is best determined by quoted market prices.

The fair values of financial instruments are determined by the enterprise, using active market inputs and an acceptable valuation technique. However, discretion is used in the interpretation of market inputs for estimating fair value. As a result, the estimates presented herein may not be an indication of the actual values that may be obtained by the Company in a current market transaction.

Financial Assets:

With the exception of those classified as fair value through profit and loss and those that are recognized at fair value, financial assets are recorded through fair value transaction by deducting the directly related expenses. Investments are recognized or derecognized on the date of the trade transaction that contractually stipulates delivery of investment instruments within the period set by the related markets.

Other financial assets are classified into these categories: “financial assets at fair value through profit or loss,” “held-to maturity investments,” “available-for-sale financial investments” and “loans and receivables.” The classification depends on the nature and purpose of the financial assets, and is determined at the time of initial recognition.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Effective interest method

The effective interest method is a method to calculate the amortized cost of a financial asset and to allocate interest income over the relevant period. The effective interest rate is the rate that precisely discounts estimated future cash collections for the expected life, or a shorter period if applicable, of the financial instrument to the net book value of the financial asset or liability.

The effective interest method is used to calculate the income related to financial assets that are classified as held-to-maturity or available-for-sale debt instruments, and credits and receivables.

Available-for-sale financial assets

Securities and long-term marketable securities held by the entities are classified as available-for-sale financial assets, and they are valued at their fair value.

Equity-based financial instruments that do not have a quoted market price in an active market, and whose fair value cannot be measured reliably, are shown at their value after deducting accumulated impairments from cost value. With the exception of interest income calculated with the effective interest method and foreign exchange gains or losses arising from valuation of foreign currency assets; gains and losses arising from fair value changes are recognized in the investment revaluation fund directly within the shareholder's equity. In the event that the investment is disposed of, or permanently impaired; the total profits or losses, which were previously recognized in the investment revaluation fund, are then transferred to the period income.

Dividends that are associated with available-for-sale equity instruments are recognized in the other comprehensive income statement, after the entity is entitled to receive the related payments.

Receivables

Trade and other receivables are recognized at fair value on the initial registration date. In reporting periods following the first registration date, they are shown with the discounted cost using the effective interest method.

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are subjected to assessment as to whether there are indications of impairment of a financial asset, or a group of financial assets, at each balance sheet date. Financial assets are impaired when there is objective evidence that one or more incidents took place after the financial asset was first recognized and that incident(s) caused an adverse effect on the estimated future cash flows, which were projected reliably, of the related financial asset or group of assets, and that as a result, the related financial asset was impaired.

For the receivables, the impairment amount is the difference between the asset's book value and the present value of estimated future cash flows that are discounted over the original effective interest rate of the financial asset. For all financial assets, impairment is reduced directly from the relative financial asset's book value, with the exception of trade receivables, in which book value is decreased by using a reserve account. When a trade receivable is uncollectible, the amount written off from the reserve account. Changes in the reserve account are recognized in other comprehensive income.

With the exception of available-for-sale equity instruments, if the impairment loss decreases in the subsequent period and the decrease can be attributed to an incident after the impairment was recognized; then, previously recognized impairment loss is reserved in a way not to exceed the amortized cost amount, which it would have reached if the impairment of the investment had not been recognized at all on the impairment reversal date.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

In respect to available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

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.

Since the fair values of the financial assets, including the cash, bank and bank deposits, which are recognized at their cost values, have short-term maturities and negligible losses in receivables, they are considered to approximate their book values.

Foreign exchange income/ losses that arising from valuation of the foreign currency balances included in the cash and current deposits are reported in financial income/ expenses. Term deposit (restricted and unrestricted) amount is valued by the effective interest method.

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

Trade receivables are valued by the effective interest method.

Financial Liabilities:

The Company's financial liabilities and equity instruments are classified in accordance with the contractual arrangements and recognition principles of a financial liability and equity instrument. Equity instrument is described as a contract that represents the residual interest in assets after deducting all of the Company's liabilities. Significant accounting policies for certain financial liabilities and equity instruments are described below.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities. Other financial liabilities, including bank borrowings, are initially recognized at fair value, net of transaction costs. They are recognized at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expenses over the relevant period. Effective interest rate is the rate that precisely discounts estimated future cash payments for the expected life, or a shorter period if applicable, of the financial instrument to the net book value of the financial liability.

Short- and long-term bank loans are presented with their amortized cost values. Long-term loans in foreign currency are converted from end-of-period rates; hence, their fair value is within reasonable convergence to the book value.

Trade payables are presented based on their amortized cost values.Pursuant to TAS 1, trade payables are a part of the business capital used during the regular operating cycle of the business. Therefore, they are classified as short-term, even if they are to be paid over a period longer than 12 months from the balance sheet date.

In the event the Company is planning or preferring to refinance or rotate its financial liability within at least 12 months after the reporting period, this liability is classified as a long-term liability, even if the new payment program is short-termed. 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.

Trade payables and financial liabilities are measured by the effective interest method.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Impairment of Financial Instruments

At the end of each reporting period, financial asset and financial liability groups, valued by amortized costs, are assessed regarding whether they have equitable indications of value impairment. In the presence of such an indicator, impairment loss is evaluated. It may not be possible to determine a unique and separate event that causes impairment. Sometimes there may be more than one reason (please refer to Note 39-E).

Derivative Financial Instruments and Hedge accounting

Derivative financial instruments are initially recorded at cost value and are re-measured at their fair value in the subsequent periods. The method of calculating the profit or loss arising as a result of the transaction depends on the features of the item being hedged.

Changes in the fair values of the derivative financial instruments, which are considered an effective cash flow hedge, are recognized as hedge funds in the equity. If a hedged commitment or possible future transaction becomes an asset or liability, the profits or losses regarding these transactions, which are recognized in the equity, are then transferred from these items to the initial cost or book value of this asset or liability. Profit or losses included in the initial cost or book value of the hedged instrument are recognized in the comprehensive income statement if they affect the net profit/loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised; or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to profit or loss for the period.

The Company does not have any derivative instruments as of the end of the period.

Financial Risk Management

Collection Risk

The Company's collection risk may generally arise from trade receivables. Trade receivables are evaluated by the Company management in light of market conditions and by taking past experiences into consideration. 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 Company's foreign currency balances resulting from its operating, investment and financial activities as of the report date are described in Note 39.
Foreign currency risk arises when TL loses value against foreign currencies (Note 39).

Liquidity Risk

The liquidity risk refers to the risk of encountering difficulties in providing funds to fulfill an entity's commitments regarding its financial instruments. The Company manages its liquidity risk by balancing the distribution of its assets and liabilities over time (Note 39).

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Effects of Changes in Foreign Exchange Rate

The functional currency of the Company is Turkish lira ("TL"). When initially recognizing the transactions in foreign currency (currencies other than the relative entity's functional currency), the company uses the foreign exchange rates valid on the transaction date. Foreign currency denominated monetary assets and liabilities are valued at exchange rates prevailing on the balance sheet date, and the resulting exchange losses or gains are recognized in other comprehensive income in the relevant period. All monetary assets and liabilities were exchanged at period-end exchange rates and related foreign exchange differences were recognized in other comprehensive income. Foreign currency denominated non-monetary items that are valued at cost value are exchanged into the functional currency using the exchange rates on the initial transaction date. Foreign currency denominated non-monetary items valued at fair value are exchanged into the functional currency using the exchange rates prevailing on the fair value determination date.

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. As per the provisions of IAS 10 "Events After the Reporting Period" standard, in the event that new evidence appears in respect to the presence of such events as of the balance sheet date, or such events occur subsequent to the balance sheet date, and if such events require a correction in financial statements, the Company makes the necessary corrections to its financial statements. However, if such events do not require any correction in the financial statements, they are disclosed in the accompanying notes (Note 41).

Government Incentives and Grants

Government grants are recognized at fair value when there is assurance that they will be received, and the Company will meet all the requisite conditions. Cost-related government grants and incentives are recognized as income consistently during the periods which correspond to the cost they offset.

Cash Flow Statements

In terms of cash flow statement; cash consists of the entity's cash and current deposits. 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 on equity securities are not considered as cash equivalents, unless they are fundamentally cash equivalents to begin with (e.g., preferential stock shares that have been acquired shortly before maturity and that have a certain amortization date).

The Group prepares cash flow statements so as to inform the financial statement users about its ability to make adjustment to changes in net assets, financial structure, cash flow amounts and timing in accordance with changing conditions.

In the cash flow statement, cash flows for the period are reported based on the classifications of business, investment and financing activity. Cash flows deriving from operating activities represent the cash flows that derive from the Company's areas of activity. Cash flows related to investment activities show the cash flows that the Company uses in investments activities (fixed investments and financial investments) and acquires from investments. Cash flows related to financial activities show the sources used by the Company in its financing activities, and the reimbursement of these sources.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Department-Based Reporting

Within the structure of an entity, an operations department is defined as a department that:

(a) engages in business activities from which it earns revenues and makes payments (including revenues and expenses related to transactions performed with other parts of the same entity),;
(b) is regularly reviewed by the entity's decisionmaking authority regarding its activities, for the purpose of making decisions about the resources to be allocated to the department and assessing the department's performance; and
(c) represents a part of an entity with separate financial information.

Reportable parts are determined based on the activities carried out with the subsidiaries, affiliates and business partners within the Company's consolidation scope, and for which the revenue and expenses can be identified separately according to each company.

Mining and energy operations were not included in the current period, and therefore, department-based reporting was not provided. The Company continues operations only in home appliances field.

E. Source of Significant Accounting Assessments, Estimates, Assumptions and Ambiguities

Preparation of financial statements involves the amounts of assets and liabilities reported as of the date of the balance sheet, the disclosure of contingent assets and liabilities, and the use of estimates and assumptions which may have an affect over the amounts of income and expenses that are reported throughout the accounting period. Any assessment, estimate or assumption employed in accounting is constantly reviewed and evaluated in light of past experiences, additional factors, current circumstances and reasonable expectations about future developments. Actual results may deviate from assumptions, even though the estimates and assumptions reflect the best judgment of management of current events and transactions.

Significant estimates and assumptions used by the Company while preparing its consolidated financial statements are included in the following footnotes:

Note 2/D	Fair value determination
Note 36/B	Deferred tax assets and liabilities
Note 21	Litigation and warranty provisions
Note 22	Severance provisions
Note 2/D	Provisions for the useful life and impairment of tangible and intangible fixed assets
Note 7 and 39/E	Provision for impairment of financial investments
Note 10 ve 39/E	Provision for impairment of trade receivables
Note 13	Provision for impairment of inventories

Sources of ambiguity 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) Deferred taxes are recognized in the books only in the event of the possibility of taxable income in the coming years. When taxable income is probable, the deferred tax assets calculation is based on the transferred and unused accumulated losses and all deductible temporary differences. (Note 36). The Company reviewed transferred tax losses as of December 31, 2014.

b) The management has also used some assumptions and projections to determine useful lives, establish provisions for doubtful receivables (Note 10 and 39), to calculate provisions for litigation (Note 21) and severance payments (Note 22).

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Note 3 – Business Mergers

Current Period: None (Previous: None).

Note 4 – Shares in Other Businesses

Note 16 explains the subsidiaries' details, which the Company presents as shares in other businesses and which are valued through the equity method (Previous Period: None).

Note 5 – Department-Based Reporting

January 1-December 31, 2014 period: None The Company previously included İhlas Madencilik A.Ş. in the consolidation through the full consolidation method in the prior periods. However, after its share in this company fell below 50 percent, the Company began to consolidate it through the equity method as of April 1, 2014. Furthermore, Detes Enerji Üretim A.Ş., which had been included in the consolidation through the full consolidation method up until March 31, 2014, has been removed from the consolidation since it is not active. Therefore, department-based reporting was not carried out in the current period, and the Company is continuing operations only in home appliances field.

January 1-December 31, 2013 period:

	Home	Mining and Energy	Group Total
Revenue	107,299,753	797,492	108,097,245
Cost of Sales (-)	(89,328,267)	(840,369)	(90,168,636)
Gross Profit/Loss	17,971,486	(42,877)	17,928,609
Operating Expenses (-)	(11,617,004)	(3,161,366)	(14,778,370)
Other Operating Income	7,075,347	2,082,256	9,157,603
Other Operating Expenses (-)	(11,374,807)	(113,551)	(11,488,358)
Operating Profit/(Loss)	2,055,022	(1,235,538)	819,484
Income/(Expenses) (net) from Investments	(19,762,133)	1,506,830	(18,255,303)
Operating Profit/(Loss) Before Financial Expenses	(17,707,111)	271,292	(17,435,819)
Financial Income/(Expenses) (net)	(11,503,252)	1,487	(11,501,765)
Pretax Profit/(Loss) from Continuing Operations	(29,210,363)	272,779	(28,937,584)
Total Assets	218,476,524	48,795,425	267,271,949
Total Liabilities	78,513,449	2,323,213	80,836,662

Note 6 – Cash and Cash Equivalents

	December 31, 2014	December 31,
Cash	22,696	169,529
Bank	15,147	521,155
-Current deposits	13,548	521,155
-Term deposits	1,599	-
-Liquid funds	1,599	-
Other current assets	1,372	3,867
Total	39,215	694,551

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Note 7 – Financial Investments

	December 31, 2014	December 31,
Short-term Financial Investments	-	762,777
Financial Assets at Fair Value through Profit or Loss	-	762,777
Stocks	-	950,000
Stock Appreciation (+)/Depreciation (-) Provision	-	(290,000)
Restricted term deposits with maturities of more than 3 months	-	102,777

Long-term Financial Investments

Current Period

Available-for-sale Financial Assets	Effective Share %	Interest Share	Capital Commitme	Provisions for Impairmen	Net Value
A-Unconsolidated Subsidiaries					
Detes Enerji Üretim A.Ş. (Detes Enerji) [a]	99,84	6,490,000	(414,122)	(6,075,878)	-
B-Long-Term Marketable Securities					
İhlas Gazetecilik A.Ş. [b]	1.03	1,315,923	-	(734,273)	581,650
Mir Maden İşletmeciliği Enerji ve Kimya San. Ltd. Şti.	0.63	10,000	-	-	10,000
TOTAL		7,815,923	(414,122)	(6,810,151)	591,650

(a) Inactive Detes Enerji was kept out of the consolidation, as its financial statements have no financial significance according to the consolidated financial statements and it does not provide a significant cash flow. The Company has no responsibility towards the aforementioned subsidiary other than the capital it has contributed.
(b) It was valued at fair value and any impairments were recorded under expenses from investments accounts. As a company traded on the BIST, İhlas Gazetecilik A.Ş. discloses its financial statements and reports quarterly at the PDP.

Previous Reporting Period

Available-for-sale Financial Assets	Effective Share %	Interest Share	Capital Commitme	Provisions for Impairment	Net Value
A-Unconsolidated Subsidiaries					
İhlas Mining [a]	57,44	328,185	-	(144,576)	183,609
B-Long-Term Marketable Securities					
İhlas Gazetecilik A.Ş. [b]	1,03	1,315,923	-	(684.772)	631.151
TOTAL		1,644,108	-	(829,348)	814,760

(a) Established in Gana on July 11, 2008, with a $300,000-capital, İhlas Mining belongs to İhlas Madencilik, a subsidiary of the Company, which holds a 90-percent stake in it. This company was kept out of the consolidation as its financial statements have no financial significance according to the consolidated financial statements, and it does not provide a significant cash flow. The Company has no responsibility towards the aforementioned subsidiary other than the capital it has contributed. This entity's financial statements were not ready as of the report date, and therefore not presented.
(b) It was valued at fair value and any impairments were recorded under expenses from investments accounts. As a company traded on the BIST, İhlas Gazetecilik A.Ş. discloses its financial statements and reports quarterly at the PDP.

Financial statements of the Subsidiaries were not consolidated when their financial position and operating results as of December 31, 2013, and December 31, 2014, were not financially significant for the financial statements on their own or as a whole. These subsidiaries were classified as ready-for-sale assets in the financial statements.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

The following is the financial statement information as of December 31, 2014 for Detes Enerji, an unconsolidated subsidiary and a ready-for-sale asset.

December 31, 2014	Detes Enerji
Current Assets	6,021,449
Fixed Assets	-
Short-Term Liabilities	10,535
Long-Term Liabilities	-
Shareholders' Equity	6,010,914
Net Sales	-
Profit/(Loss) for the Period	(7,831)

Note 8 – Short-Term Borrowing

	December 31, 2014	December 31,
Loans Obtained from Intermediary Institutions	-	30,636,578
Revolving Loans	1,517,367	3,256,444
Installment Loans	-	4,799,656
Total Financial Liabilities	1,517,367	38,692,678

As of December 31, 2014 there were no loans obtained from intermediary institutions (December 31, 2013: Rate between 15.25-18%).

The following are the maturity dates and interest rates for the rotating loans.

		December 31,		
	Currency	Applied Interest Rate(%)	Maturity	In TL Amount
Revolving Loans	TL	13.25 – 15.00	Up to 3 months	1,517,367
		-	Up to 3-12 months	-
				1,517,367

		December 31,		
	Currency	Applied Interest Rate(%)	Maturity	In TL Amount
Revolving Loans	TL	10.00 – 20.00	Up to 3 months	2,406,444
		14.25	Up to 3-12 months	850,000
				3,256,444

The following are the maturity dates and interest rates for the installment loans as of December 31, 2013.

		December 31,		
	Currency	Applied Interest Rate(%)	Maturity	In TL Amount
Installment Loans	TL	10.92 – 18.90	Up to 3 months	3,127,778
		10.68 – 18.90	Up to 3-12 months	1,671,878
				4,799,656

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

NNote 9 – Other Financial Liabilities

December 31, 2014: None (December 31, 2013: None).

NNote 10 – Trade Receivables and Payables

	December 31, 2014	December 31,
Trade Receivables from Related Parties*	19,159,217	14,581,919
-Gross Trade Receivables	20,392,875	16,292,110
-Rediscount of trade receivables (-)	(1,232,281)	(1,667.385)
-Provisions for doubtful trade receivables (-)	(1,377)	(42,806)
-Trade Receivables from Non-Related Parties	80,435,590	76,006,282
-Buyers	40,369,526	6,783,744
-Post-dated checks and notes receivables	46,615,569	77,876,907
-Rediscount of trade receivables (-)	(4,426,933)	(3,371,238)
-Provision for doubtful trade receivables (-)	(2,122,572)	(5,283,131)
Short-Term Trade Receivables	99,594,807	90,588,201

(*) Detailed in Note 38.

Note 39-E explains in detail the aging analysis and any provisions reserved for overdue assets, for which impairment provision was recognized or not recognized.

Maturity analysis of trade receivables (net) which were not overdue as of December 31, 2014, and December 31, 2012, is presented in Note 39-E.

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

	December 31, 2014	December 31,
Balance as of January 1	(5,325,937)	(5,053,217)
Amount of current period provisions (Note 30)	(2,050,135)	(313,368)
Provisions no longer required (Note 31)	-	40,648
Cancellation of provisions belonging to companies removed from consolidation	5,252,123	-
Balance as of the end of the period	(2,123,949)	(5,325,937)

	December 31, 2014	December 31,
Trade Payables to Related Parties(*)	267,781	388,706
-Gross trade payables	267,781	406,979
-Rediscount of trade payables (-)	-	(18,273)
Trade Payables to Non-Related Parties	37,235,032	30,727,575
-Vendors	8,541,165	6,364,653
-Post-dated checks and notes payable	28,709,480	24,402,039
-Rediscount of trade payables (-)	(15,613)	(39,117)
Short-Term Commercial Payables	37,502,813	31,116,281

(*) Detailed in Note 38.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Note 11 – Other Receivables and Payables

	December 31, 2014	December 31,
Other Short-Term Receivables	37,088,623	21,278,805
Other Receivables from Related Parties (*)	36,721,783	19,679,142
Other Receivables from Non-Related Parties	366,840	1,599,663
-Deposits and collaterals given	227,696	109,205
-Receivables from tax office	139,144	1,433,808
- Other doubtful receivables	-	314,002
-Provisions for other doubtful receivables	-	(257,352)
Other Long-Term Receivables	21,652	245,031
Deposits and collaterals given	21,652	245,031

(*) Of these receivables, 33,254,415 TL are financial receivables and the remaining is a receivable in the amount of 3,467,368 TL from stock sales. At the end of the period, the Company initiated interest determination proceedings regarding these receivables, which are detailed in Note 38.

Note 12 – Receivables and Payables from Financial Operations

December 31, 2014:None (December 31, 2013: None).

Note 13 – Inventories

	December 31, 2014	December 31,
Raw Materials and Supplies	43,033,580	39,579,322
Semi-finished Goods	227,455	598,239
Finished Goods	13,216	1,424,389
Commodities	328,686	1,313,822
Other Inventory (Goods in Transit) (*)	11,549,532	11,931,946
Provision for Impairment of Inventories	(5,997,867)	(3,274,538)
Total	49,154,602	51,573,180

(*) Goods in transit consist of goods that have been billed and sent to the Company by foreign vendors as of the balance sheet date, but have not yet been retrieved from customs by the Company.

The following is the reconciliation regarding the provision for impairment of inventory:

	December 31,	December 31,
Balance as of the period start date	(3,274,538)	(3,152,690)
Provision for Impairment (-)/Provision no longer required (Note 28)	(4,391,563)	(121,848)
Cancellation of provisions belonging to companies removed from consolidation	1,668,234	-
Balance as of the period end date	(5,997,867)	(3,274,538)

Inventories do not fall within the scope of qualifying assets described in TAS 23 "Borrowing Costs"; therefore, finance expenses in this regard are recognized in the related income statement and they are not capitalized.

No inventories have been provided as collateral for the Company's liabilities (Previous period: None).

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Note 14 – Live Assets

December 31, 2014: None (December 31, 2013: None).

Note 15 – Derivative Instruments

December 31, 2014: None (December 31, 2013: None).

Note 16 – Investments Valued by Equity Method

Subsidiaries Consolidated by Equity Method	Effective Share %	Interest Share	Provisions for Value Increases/Decreases	Net Value
Ihlas Madencilik A.Ş.	31,81	43,061,205	(26,682,818)	16,378,387

	January 1-December 31, 2014
Value increases/decreases of subsidiaries	(569,141)

The Company previously included İhlas Madencilik A.Ş. in the consolidation through the full consolidation method in the prior periods. However, after its share in this company fell below 50 percent, the Company began to consolidate it through the equity method as of April 1, 2014. Since this subsidiary's financial statements for the December 31, 2014, period were not ready, financial data for the September 30, 2014, period were used from the last report disclosed to the public.

The following is the summary financial statement information for İhlas Madencilik A.Ş. as of September 30, 2014:

	September 30, 2014
Current Assets	19,745,202
Fixed Assets	34,790,716
Short-Term Liabilities	2,505,959
Long-Term Liabilities	533,830
Shareholders' Equity	51,496,129
Net Sales	1,485,949
Net Profit/(Loss) for the Period	(2,465,924)

December 31, 2013: None.

Note 17 – Investment Properties

January 1-December 31, 2014

	January 1,	Inflows	Appreciations	Properties belonging to companies that have been removed from the	December 31,
Investment Properties					
Land	22,182,748	-	5,703,540	(8,886,288)	19,000,000
Buildings	14,137,739	-	1,916,460	(3,314,199)	12,740,000
Total	36,320,487	-	7,620,000	(12,200,487)	31,740,000

(*) Properties that belong to İhlas Madencilik A.Ş., which was removed from consolidation in the current period.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

January 1-December 31 2013

Investment Properties	January 1, 2013	Inflows	Outflows	Appreciations	Transfers (*)	December 31,
Land	16,835,531	26,101	(7,685,605)	8,073,341	4,933,380	22,182,748
Buildings	20,524,210	950,000	(1,479,730)	137,413	(5,994,154)	14,137,739
Total	37,359,741	976,101	(9,165,335)	8.210.754	(1,060,774)	36,320,487

(*) The Company has transferred a 1,060,774-TL property, which it began to use in the current period, into its tangible fixed assets. Moreover, transfers have been made between land and building shares based on current appraisal reports.

The Company has had an appraisal performed in the current period for its sizable lands, lots and buildings, which it holds to earn rent income, and appreciations have been calculated by using the fair value method according to the appraisal reports.

An independent and expert institution (appraiser) has established the fair values of the investment properties. Valuation transaction information is as follows:

Properties	Current Appraisal Value	As of December 31, 2013	Resulting Appreciations	Appraisal Dates	Appraisal Methods
Detached Unit No. 15 (*)	18,000,000	16,000,000	2,000,000	January 23,	Peer Comparison Method
Detached Unit No. 16 (*)	13,740,000	8,120,000	5,620,000	January 23,	Peer Comparison Method
Total Appreciation (Note 32)					7,620,000

(*) Detached units located on Section 24, Parcel 10913 at Yenibosna neighborhood, Bahçelievler district, Istanbul.

The Company's investment properties are mortgaged in the amounts of $12,750,000 and 10,000,000 TL (December 31, 2013: $22,750,000 and 10,000,000 TL).

There are no investment properties which the Company has acquired through leasing and for which it still owes money.

Investment properties do not fall within the scope of qualifying assets described in TAS 23 “Borrowing Costs,” and therefore, finance expenses in this regard are recognized in the related income statement and are not capitalized.

Şirket, cari dönemde yatırım amaçlı gayrimenkullerinden toplam 1.388.544 TL kira geliri elde etmiştir (31.12.2013: 1.359.167 TL).

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.
Footnotes to the Consolidated Financial Statements as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Note 18 – Tangible Fixed Assets

January 1-December 31, 2014

	January 1,	Inflows	Outflows	Fixed tangible assets belonging to companies that have been removed from the	December 31,
Cost					
Lands and lots	881,278	-	-	(881,278)	-
Facilities and underground setups	267,214	-	-	(267,214)	-
Buildings	215.138	-	-	(215,138)	-
Machinery, plants and equipment	5,059,346	20,560	-	(2,773,944)	2,305,962
Flooring, fixtures and vehicles	13,626,785	728,050	(11,441)	(1,300,914)	13,042,480
Total	20,049,761	748,610	(11,441)	(5,438,488)	15,348,442
Less: accumulated depreciation					
Facilities and underground setups	(233,834)	(6,287)	-	240,121	-
Buildings	(4,303)	(1075)	-	5,378	-
Machinery, plants and equipment	(3,986,284)	(215,638)	-	2,296,974	(1,904,948)
Flooring, fixtures and vehicles	(10,234,761)	(1,184,402)	11,441	1,251,573	(10,156,149)
Total	(14,459,182)	(1,407,402)	11,441	3,794,046	(12,061,097)
Tangible Fixed Assets (net)	5,590,579				3,287,345

(*) Tangible fixed assets that belong to İhlas Madencilik A.Ş., which was removed from consolidation in the current period.

January 1-December 31 2013

	January 1,	Inflows	Outflows	Appreciations	Transfers (*)	December 31, 2013
Cost						
Land and lots	-	-	-	28,648	852,630	881,278
Facilities and underground	267,214	-	-	-	-	267,214
Buildings	-	-	-	6,994	208,144	215,138
Machinery, plants and equipment	4,942,481	116,865	-	-	-	5,059,346
Flooring, fixtures and vehicles	12,712,167	992,130	(77,512)	-	-	13,626,785
Total	17,921,862	1,108,995	(77,512)	35,642	1,060,774	20,049,761
Less: accumulated depreciation						
Facilities and underground	(203,806)	(30,028)	-	-	-	(233,834)
Buildings	-	(4,303)	-	-	-	(4.303)
Machinery, plants and equipment	(3,514,640)	(471,644)	-	-	-	(3,986,284)
Flooring, fixtures and vehicles	(9,023,798)	(1,272,416)	61,453	-	-	(10,234,761)
Total	(12,742,244)	(1,778,391)	61,453	-		- (14,459,182)
Tangible Fixed Assets (net)	5,179,618			35,642	1,060,774	5,590,579

(*)The Company has transferred a 1,060,774-TL investment property, which it began to use in the current period, into its tangible fixed assets.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

There are no pledges, restrictions or mortgages on the Company’s tangible fixed assets.

There are no tangible fixed assets, which the Company has acquired through leasing and for which it still owes money.

Tangible fixed assets do not fall within the scope of qualifying assets described in TAS 23 “Borrowing Costs;” therefore, finance expenses in this regard are recognized in the related income statement and are not capitalized.

The Company does not have any temporarily idle tangible fixed assets.

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

	December 31, 2014
Machinery, plants and equipment	1,241,973
Flooring, fixtures and vehicles	6,646,302
Total	7,888,275

NNote 19 – Intangible Fixed Assets

A-) Goodwill

	December 31, 2014	December 31,
Balance as of January 1	36,346,849	37,720,505
Effect of the Subsidiaries Not Included in the Consolidation	(36,346,849)	-
Provisions for impairments arising during the period (Note 31)	-	(1,373,656)
Balance as of December 31	-	36,346,849

B-) Other Intangible Assets

January 1-December 31 2014	January 1,	Inflows	Other fixed tangible assets belonging to companies that have been removed from the consolidation (*)	December 31,
Cost				
Prospecting Expenses	2,790,412	46,068	(2,836,480)	-
Rights	10,017,264	-	(10,017,264)	-
Other intangible fixed assets	1,700,912	10,600	(171,778)	1,539,734
Total	14,508,588	56,668	(13,025,522)	1,539,734
Less: accumulated depreciation				
Prospecting Expenses	(1,812,539)	(4,695)	1,817,234	-
Rights	(5,601,624)	(332)	5,601,956	-
Other intangible fixed assets	(1,224,026)	(123,072)	(7,089)	(1,354,187)
Total	(8,638,189)	(128,099)	7,412,101	(1,354,187)
Intangible Fixed Assets (net)	5,870,399			185,547

(*) Intangible fixed assets that belong to İhlas Madencilik A.Ş., which was removed from consolidation in the current period.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

January 1-December 31 2013

	January 1, 2013	Inflows	Outflows	December 31, 2013
Cost				
Prospecting Expenses	2,748,670	41,742	-	2,790,412
Rights	10,015,705	1,559	-	10,017,264
Other intangible fixed assets	1,511,906	189,006	-	1,700,912
Total	14,276,281	232,307	-	14,508,588
Less: accumulated depreciation				
Prospecting Expenses	(1,793,756)	(18,783)	-	(1,812,539)
Rights	(5,600,237)	(1,387)	-	(5,601,624)
Other intangible fixed assets	(1,096,113)	(127,913)	-	(1,224,026)
Total	(8,490,106)	(148,083)	-	(8,638,189)
Intangible Fixed Assets (net)	5,786,175			5,870,399

There are no pledges, restrictions or mortgages on the Company’s intangible fixed assets (December 31, 2013: None).

Fully depreciated tangible fixed assets still used by the Company are worth 997,273 TL.

Note 20 – Government Incentives and Grants

In 2014, the Company received an R&D investment incentive from TÜBİTAK in the amount of 145,085 TL (previous period: 512,139 TL) for the vacuum cleaning robot it just developed (Note 27). These incentives totaled 698,347 TL by the end of the current period, and they are shown in reserves on retained earnings in the shareholder's equity account. There is also an R&D investment discount, which the Company can deduct from corporate income tax, in the amount of 2,291,249 TL (previous period: 3,038,531 TL), and the discount is subject to deferred tax (Note 36).

Note 21 – Provisions, Contingent Assets and Liabilities, and Commitments

a) Guarantees, pledges and mortgages (GPM) issued by the Company:

GPMs issued by the Company (December 31, 2014)	USD Balance	Euro Balance	TL Balance	TOTAL (In TL)
A. Total GPM amount issued in favor of its own legal entity	-	-	6,850,000	6,850,000
B. Total GPM amount issued in favor of subsidiaries that are included in the full consolidation	-	-	-	-
C. Total GPM amount issued to secure the liabilities of other third parties so as to carry out ordinary trade operations	-	-	-	-
D. Total amount of other GPMs issued	13,112,230	27,200,000	11,244,121	118,373,111
i. Total amount of GPMs issued in favor of the parent company	12,850,000	-	11,244,121	41,041,986
ii. Total amount of GPMs issued in favor of other group companies not covered in items B and C	262,230	27,200,000	-	77,331,125
iii. Total GPMs issued in favor of third parties not covered in item C	-	-	-	-
Total	13,112,230	27,200,000	18,094,121	125,223,111
Total Shareholder's Equity				191,299,196
Ratio of other Company-issued GPMs to its shareholder's equity				62%

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

GPMs issued by the Group (December 31, 2013)	USD Balance	Euro Balance	TL Balance	TOTAL (In TL)
A. Total amount of GPMs issued by the main partnership in favor of its own legal entity	1,239,428	546,380	39,275,851	43,525,605
B-1. Total GPMs issued in favor of subsidiaries and affiliates included in the full consolidation of the parent company	-	27,200,000	-	79,872,757
B-2. Total GPMs subsidiaries and affiliates included within the full consolidation issued in their own favor and to each other	-	-	1,427,888	1,427,888
C. Total GPM amount issued by the Group to secure the liabilities of other third parties so as to carry out ordinary trade operations	-	-	1,103,700	1,103,700
D. Total amount of other GPMs issued	23,112,230	225,000	13,208,000	63,197,149
i. Total GPMs issued in favor of parent company	22,850,000	-	13,208,000	61,976,759
ii. Total GPMs issued in favor of other Group companies not covered in items B and C	262,230	225,000	-	1,220,390
iii. Total GPMs issued in favor of third parties not covered in item C	-	-	-	-
Total	24,351,658	27,971,380	55,015,439	189,127,099
Group's Shareholder's Equity Total				186,435,287
Ratio of the other Company-issued GPMs to its shareholder's equity				34%

The following are the details regarding the contingent assets, liabilities and commitments presented in the GPM table that require explanation:

-A purchase and engineering service agreement worth €30,200,000 was signed between Detes Enerji Üretim A.Ş., a Group company that was not included in the consolidation, and Envirotherm GmbH, an engineering company headquartered in Essen, Germany. The agreement involved: a facility that consists of German Lurgi patented British Gas Lurgi (BGL) gasifiers and a methanol production unit which are used to produce energy with BGL gasifiers; and dismantling the facility from its location in Germany to be brought to Turkey for assembly and operation. The Company signed the contract as the guarantor. According to the provisions of this contract, the subsidiary Detes Enerji made an advance payment of €3,000,000 to Envirotherm GmbH in 2008. As of the balance sheet date, the Company continues to be a guarantor for €27,200,000 (December 31, 2013: €27,200,000) (Classified as GPMs issued in favor of other related parties not covered in item B and C in the current period).

- The Company pledged 5,000,000-TL (stock market value: 6,850,000 TL) worth of nominal shares it owns at İhlas Madencilik A.Ş., its subsidiary, against its debts. (Classified as GPMs issued in favor of its own legal entity).

b-) The following is the summarized information on litigations and performances related to the Company as of December 31, 2014:

	Number of Shares	Amount
Ongoing lawsuits initiated by the Company	7	427,071
Enforcement proceedings conducted by the Company	-	-
Ongoing litigations initiated against the Company	6	78,782
Enforcement proceedings against the Company	2	203,752

The Company has allocated provisions of 69,000 TL (149,427 in the previous period) for the litigations filed against it as of December 31, 2014. Meanwhile, it has not allocated any provisions for the litigations which it deems highly likely to win.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.
Footnotes to the Consolidated Financial Statements as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Provisions:

	December 31, 2014	December 31,
Short-term	-	62,477
Provisions for Litigations and Penalties	-	62,477
Long-term	618,575	762,431
Warranty Provision	549,575	675,481
Litigation Provisions	69,000	86,950

The following table shows litigation and warranty provision transactions during the period:

Warranty Provisions	December 31,	December 31,
Opening Balance	675,481	692,503
Provisions no longer required (Note 31)	(125,906)	(17,022)
Closing balance	549,575	675,481

Litigation Provisions	December 31,	December 31,
Opening balance	149,427	88,550
Cancellation of provisions belonging to companies removed from consolidation	(62,477)	-
Provisions reserved during the period (Note 31)	-	62,477
Provisions no longer required (Note 31)	(17,950)	(1,600)
Closing balance	69,000	149,427

Note 22 – Employee Benefits, and Employee Benefits Payable

	December 31,	December 31,
Payables such as wages, severance payment, etc. to personnel (*)	662,362	976,622
Social security premiums payable (**)	1,153,744	241,769
Employee Benefits Payable (Short-term)	1,816,106	1,218,391

(*) Of this amount, 233,708 TL is past due as of December 31, 2015.
(**) An installment plan was made for the whole amount as of the report date.

	December 31, 2014	December 31,
Long-Term Liabilities		
Severance provisions	4,149,798	3,529,702
Total	4,149,798	3,529,702

According to the Turkish Labor Law, the Company is legally required to offer a severance payment to an employee who has been terminated without due cause, on the condition of being employed for at least one year, or who has been drafted into the military, or has died, or has retired upon reaching retirement age; and after 25 years of service for males and 20 years for females. As of December 31, 2014, maximum payable amount is one month's salary for each employee for each year of service, subject to an upper limit of 3,438.22 TL (December 31, 2013: 3,254,44 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. Provisions for severance payments were calculated based on the estimated balance sheet date value of the possible future liabilities that will arise from retirement of the Company's employees.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

The “TAS 19 - Employee Benefits” standard stipulates the use of actuarial evaluation methods when estimating the companies’ liabilities within the scope of their specific social rights plans. Accordingly, actuarial assumptions and existing legal obligations were used in the calculation of the total amount of liabilities for each company. The following are the other actuarial estimates and assumptions:

	December 31, 2014	December 31,
Discount rate	3.26%	3.32%
Rate of non-payment of severance payment liabilities (average)	5%	5%

	December 31, 2014	December 31,
Balance as of January 1	3,529,702	2,539,085
Payments	(1,033,143)	(862,308)
Provisions no longer required (Note 31)	-	(20,152)
Emeklilik Plan. Actuarial Gains/Losses Fund (Note 27)	180,456	(90,222)
Provisions reserved during the period (Note 30)	1,472,783	1,963,299
Closing Balance	4,149,798	3,529,702

Note 23 – Pension Plans

Currently, no regulations exist for retirement commitments aside from the legal requirements delineated above.

Note 24 – Prepaid Expenses and Deferred Income

	December 31,	December 31,
Advance Payments for Purchase Orders(*)	3,261,055	2,888,499
Work advances	62,550	495,263
Expenses for future months	1,579	87,901
Prepaid Expenses (Classified in Current Assets)	3,325,184	3,471,663
Expenses for future months	140,276	-
Advances Given	71,480	35,470
Prepaid Expenses (Classified in Non-current Assets)	211,756	35,470
Advances received for purchase orders (*)	1,012,273	538,782
Prepaid Tax Receivables	230,567	28,246
Deferred Income (Short-Term)	1,242,840	567,028
Deferred Income (Long-Term)	-	-

(*) Note 38 explains the advances to related parties.

Note 25 – Current Tax Assets

	December 31, 2014	December 31,
Peşin ödenmiş vergi alacakları	2,016	1,580
Current Tax Assets	2,016	1,580

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Note 26 – Other Assets and Liabilities

	December 31, 2014	December 31,
Carry Forward VAT	-	3,057,020
Other Current/Non-Current Assets	-	3,057,020
Other Non-Current/Fixed Assets	-	-

Taxes, fees and other deductions payable(*)	3,759,635	2,030,747
Overdue, deferred and on-installment tax liabilities	1,767,943	182,831
Default Interests owed to TEDAŞ	-	464,911
Other	-	160,510
Short-Term Other Liabilities	5,527,578	2,838,999

Overdue, deferred and on-installment tax liabilities	687,976	-
Long-Term Other Liabilities	687,976	-

(*) All of this amount is overdue as of January 1, 2015, and an application for an installment plan is being considered.

Note 27 – Capital, Reserves and Other Equity Items

A. Paid-in Capital

The Company's registered and issued capital comprises of 19,137,000,200 shares, each with a nominal value of 1 kuruş. The Company's registered authorized capital is 750,000,000 TL.

The following is the Company's registered and issued capital, and capital structure as of December 31, 2014 and December 31, 2014:

	December 31, 2014		December 31, 2013	
Title	Share (%)	Share Amount	Share (%)	Share Amount
İhlas Pazarlama Yatırım Holding A.Ş.	17.60	33,681,000	17.60	33,681,000
İhlas Holding A.Ş.	4.43	8,483,277	7.55	14,445,795
Open to the Public	77.97	149,205,724	74.83	143,205,723
Other	-	-	0.02	37,483
Total	100.00	191,370,001	100.00	191,370,001

İhlas Pazarlama Yatırım Holding A.Ş. provided as collateral 33,600,000 of the Company shares it owns for the loans it issued (previous period: 33,600,000 shares). İhlas Pazarlama Yatırım Holding A.Ş. provided as collateral 33,600,000 of the Company shares it owns for the loans it obtained (previous period: 33,600,000 shares).

The Company's indirect partnership structure is as follows:

	December 31, 2014		December 31, 2013	
Title	Share (%)	Share Amount	Share (%)	Share Amount
Open to the Public	96.43	184,535,533	95.59	182,937,065
Ahmet Mücahid Ören	2.92	5,580,320	2.72	5,206,499
Other	0.65	1,254,148	1,69	3,226,437
TOTAL	100.00	191,370,001	100.00	191,370,001

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

The breakdown of the Company's privileged shares (Group A shares) is as follows:

Partner Name / Title	Series	Group	Bearer/	Number of	AMOUNT
İhlas Pazarlama Yatırım Holding A.Ş.	I	A	Bearer	4,049,920	40,499
İhlas Holding A.Ş.	I	A	Bearer	803,220	8,032

The Members of the Board of Directors are selected among candidates nominated by group (A) shareholders: 3 members if the Board of Directors is made up of 5 people, 4 members if the Board of Directors is made up of 7 people, 5 members if the Board of Directors is made up of 9 people, and 6 members if the Board of Directors is made up of 11 people. In the event that amendment to the Articles of the Company infringes the rights of the privileged shareholders, the resolution of the Board of Directors must be approved by the board of shareholders.

B. Other Comprehensive Income/Expense not to be Reclassified in Profit or Loss

Other comprehensive income/expense not to be reclassified in profit or loss consists of tangible fixed assets revaluation increases, and actuarial gains/losses from pension plans. The following are the transaction tables:

	December 31,	December 31,
Balance as of January 1	21,608	-
Net revaluation increases of the companies not included in the consolidation	(21,608)	-
Tangible fixed assets revaluation increases in the period	-	22,624
Period taxes for other comprehensive income not to be reclassified in profit or loss	-	(1,016)
Closing Balance	-	21,608

	December 31,	December 31,
Balance as of January 1	204,699	114,477
Actuarial gains/losses fund from pension plans in the period	(180,456)	90,222
Closing Balance	24,243	204,699

C. Restricted Reserves Derived from Profit

Pursuant to the Turkish Commercial Code, legal reserves are divided into two - primary and secondary. Primary legal reserves are appropriated at 5 percent of the net profits in the balance sheet until the total reaches 20 percent of the revalued paid-in capital. Secondary legal reserves are appropriated at 10 percent of the total dividends that exceed 5 percent of the revalued capital. According to the provisions of the Turkish Commercial Code, legal reserves may be used only for net losses, and not for any other purposes so long as the reserves do not exceed 50 percent of the issued capital.

	December 31, 2014	December 31,
Legal reserves	1,749,510	1,756,306
Special reserves	832,636	1,768,307
Total	2,582,146	3,524,613

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

The following are the transaction tables for legal reserves:

	December 31,	December 31,
Balance as of January 1	1,756,306	1,753,558
Legal reserves belonging to companies that have been removed from the	(6,796)	-
Increase/decrease related to share ownership changes that do not result in loss of control of subsidiaries	-	2,748
Closing Balance	1,749,510	1,756,306

The following are the transaction tables of special reserves:

	December 31,	December 31,
Balance as of January 1	1,768,307	1,111,845
Special reserves belonging to companies that have been removed from the	(1,080,756)	-
TÜBİTAK R&D incentive	145,085	512,139
Increase/decrease related to share ownership changes that do not result in loss of control of subsidiaries	-	144,323
Closing Balance	832,636	1,768,307

D. Share Premiums/Discounts

	December 31, 2014	December 31,
Other reserves	6,534,581	6,534,581
Total	6,534,581	6,534,581

E. Other Capital Reserves

	December 31, 2014	December 31,
Other capital reserves (*)	-	4,890,469
Total	-	4,890,469

(*) İhlas Madencilik A.Ş. does not have any remaining capital reserves as it was removed from the consolidation during the period

F. Other Reserves

	December 31, 2014	December 31,
Transactions with non-controlling shareholders (*)		(8,020,139)
Total	-	(8,020,139)

(*) İhlas Madencilik A.Ş. does not have any remaining capital reserves as it was removed from the consolidation during the period

G. Retained Earnings/Loss

In accordance with the Communique, Serial No: XI, No: 29, and related announcements of CMB, effective from January 1, 2008, "Paid-in Capital," "Reserves on Retained Earnings" and "Share Premiums" must be recognized at their statutory amounts. The valuation differences during implementation of the Communique are classified

- under "Inflation Adjustment to Share Capital" if the difference arises from the "Paid-in Capital" and is yet to be transferred to capital,

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.
Footnotes to the Consolidated Financial Statements as of December 31, 2014
(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

- under “Retained Earnings/Losses” if the difference is associated with the inflation adjustment of “Reserves on Retained Earnings” and “Share Premiums,” and the amount is yet to be utilized in dividend distribution or capital increase.

The following are the retained earnings/losses:

	December 31, 2014	December 31,
Balance as of January 1	(4,734,201)	(25,280,476)
Profit/(loss) for the previous period	(23,272,008)	20,546,275
Effect of the Subsidiaries Not Included in the Consolidation	7,465,772	-
Closing Balance	(20,540,437)	(4,734,201)

H. Non-Controlling Interests

The following are the transaction tables for non-controlling interests:

	December 31,	December 31,
Balance as of January 1	15,915,664	17,085,969
Effect of the Subsidiaries Not Included in the Consolidation	(15,915,664)	-
Total Comprehensive Income	-	(415,471)
Increase/decrease related to share ownership changes that do not result in loss of control of subsidiaries	-	(754,834)
Closing Balance	-	15,915,664

Note 28 – Cost of Revenue and Sales

A. Gross Proft/(Loss) from Trade Operations

	January 1-December 31, 2014	January 1-
Domestic Sales	79,680,731	88,675,893
Overseas Sales	18,475,057	19,210,250
Other Sales	357,866	238,574
Total Gross Revenue	98,513,654	108,124,717
Sales Discounts (-)	(16,641)	(27,472)
Net Revenue	98,497,013	108,097,245
Cost of Sales (-)	(89,133,357)	(90,168,636)
Net Sales Profit	9,363,656	17,928,609

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

The following is the Company's Cost of Goods Sold table for the periods January 1-December 31, 2014, and January 1-December 31, 2013.

	January 1-December	January 1-December
Raw materials, supplies, and merchandise	(79,375,543)	(83,192,535)
Employee expenses	(4,764,790)	(5,910,806)
Provisions for impairment of inventories	(4,391,563)	(121,848)
Provisions for severance payment expenses (Note 30)	(1,378,510)	(937,759)
Depreciation and amortization costs (Note 30)	(1,338,510)	(1,404,620)
Rent expenses	(891,367)	(859,120)
Meal and transportation expenses	(553,732)	(604,754)
Electricity and heating expenses	(482,108)	(646,462)
Maturity interest expenses transferred to other purchase-related operating costs	4,316,055	4,010,197
Other Production Expenses and Adjustments	(273,289)	(500,929)
Cost of Sales	(89,133,357)	(90,168,636)

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

Product Groups	January 1-December 31, 2014	January 1-December
Home Appliances Group	Quantity (Units)	Quantity (Units)
Electric Water Heaters Group	122,879	152,470
Water Treatment Group	82,167	82,082
Cleaning Robot	42,757	52,781
Electric Heaters	11,464	18,984
Vacuum Cleaners-Washers	8,843	11,444
Tea Sets	4,021	6,573
Scales	56	2,374

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

Product Groups	January 1-December 31, 2014	January 1-December
Home Appliances Group	Quantity (Units)	Quantity (Units)
Electric Water Heaters Group	122,168	152,723
Water Treatment Group	81,691	82,177
Cleaning Robot	42,500	52,984
Electric Heaters	11,554	18,983
Vacuum Cleaners-Washers	8,342	11,946
Tea Sets	4,025	6,515
Scales	56	2,374

B. Gross Profit/(Loss) from Finance Operations

January 1-December 31, 2014: None (January 1-December 31, 2013: None).

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Note 29 – Operating Costs

	January 1-December 31, 2014	January 1-December
Administrative Expenses	(8,116,154)	(9,563,421)
Marketing expenses	(2,882,050)	(3,658,156)
Research and development expenses	(971,635)	(1,556,793)
Total	(11,969,839)	(14,778,370)

Note 30 – Segmented Costs

The following are the details of segmented costs in the January 1-December 31, 2014 and January 1-December 31, 2013 periods:

	January 1-December 31, 2014	January 1-December
Personnel expenses [a]	(3,551,153)	(4,714,213)
Doubtful receivables provisions expenses	(2,050,135)	(313,368)
Building cleaning and security expenses	(410,279)	(453,311)
Notary public, taxes, fees and so on	(372,959)	(641,310)
Rent expenses	(278,347)	(262,959)
Audit, consultancy and financial adviser expenses	(263,307)	(626,632)
Depreciation and amortization costs [b]	(196,991)	(412,615)
Distribution and delivery expenses	(152,539)	(2,933)
Insurance expenses	(118,262)	(107,225)
Domestic and overseas travel expenses	(77,790)	(52,685)
General Assembler, CRA and BIST listing expenses	(70,960)	(134,845)
Provisions for severance payment expenses [c]	(70,152)	(727,980)
Repair, maintenance and energy expenses	(57,229)	(232,456)
Communication and stationary expenses	(31,225)	(65,453)
Other Administrative Expenses	(414,826)	(815,436)
Administrative Expenses	(8,116,154)	(9,563,421)

	January 1-December 31, 2014	January 1-December
Personnel expenses [a]	(849,824)	(917,215)
Distribution and delivery expenses	(501,391)	(655,279)
Guarantee expenses	(470,451)	(664,491)
Rent expenses	(254,733)	(236,258)
Fair expenses	(243,376)	(235,905)
Quality certification expenses	(108,772)	(143,641)
Domestic and overseas travel expenses	(108,317)	(150,812)
Export expenses	(99,597)	(50,159)
TSE patent etc. expenses	(44,262)	(36,793)
Advertising expenses	(40,568)	(37,941)
Provisions for severance payment expenses [c]	(24,121)	(256,454)
Electricity, water and heating expenses	(19,278)	(23,902)
Other marketing, sales, and distribution expenses	(117,360)	(249,306)
Marketing Expenses	(2,882,050)	(3,658,156)

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2014

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

	January 1-December	January 1-December
Personnel expenses (a)	(625,024)	(738,075)
Test product, and other research and development expenses	(166,493)	(298,518)
Project Expenses	(111,551)	(413,008)
Rent Expenses	(68,567)	(66,086)
Provisions for severance payment expenses (c)	-	(41,106)
Research and Development Expenses	(971,635)	(1,556,793)

(a) The following are the details regarding personnel expenses, filed under operating expenses:

	January 1-December 31, 2014	January 1-December
Gross salary expenses	(2,634,371)	(4,237,744)
SSI deductions (employee and employer)	(1,894,255)	(1,514,118)
Other Costs	(497,375)	(617,641)
Total	(5,026,001)	(6,369,503)

(b) The following are the details of depreciation and amortization expenses:

	January 1-December 31, 2014	January 1-December
Cost of sales	(1,338,510)	(1,404,620)
Administrative expenses	(196,991)	(412,615)
Other operating expenses	-	(109,239)
Total	(1,535,501)	(1,926,474)

(c) The following are the details of severance payment expenses:

	January 1-December 31, 2014	January 1-December
Cost of sales	(1,378,510)	(937,759)
Administrative expenses	(70,152)	(727,980)
Marketing expenses	(24,121)	(256,454)
Research and development expenses	-	(41,106)
Total	(1,472,783)	(1,963,299)

Note 31 – Other Operating Income and Expenses

The following are the details of other operating income and expenses in the January 1-December 31, 2014 and January 1-December 31, 2013 periods:

	January 1-December 31,	January 1-December
Late interest income	9,075,586	5,293,546
Foreign exchange difference income	4,453,164	1,420,928
Rent income	1,551,480	1,363,013
SSI premium the Treasury discount	233,835	482,532
Terminated warranty provisions	125,906	17,022
Terminated litigation provisions	17,950	1,600
-Provisions for terminated doubtful trade receivables	-	40,648
Terminated severance payment provisions	-	20,152
Other terminated provisions	-	876
Other income	265,752	517,286
Total Other Operating Income	15,723,673	9,157,603

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

	January 1-December 31, 2014	January 1-December
Late interest income	(6,621,885)	(4,949,376)
Foreign exchange difference expenses	(1,510,048)	(4,889,474)
Interests and fines for tax and SSI delays	(981,170)	-
Commission expenses	(34,529)	(92,368)
Provision for impairment of inventories	-	(1,373,656)
Non-operation parts - expenses and losses (Not 30)	-	(109,239)
Litigation provision expenses	-	(62,477)
Other	(48,558)	(11,768)
Total Other Operating Expenses	(9,196,190)	(11,488,358)

NNote 32 – Income and Expenses from Investments

The following are the details of other income and expenses from investment activities in the January 1-December 31, 2014 and January 1-December 31, 2013 periods:

	January 1-December	January 1-December
Appreciation income from investment properties	7,620,000	8,210,754
Profits from sale of subsidiaries' shares	4,640,346	-
Financial investments sales profits and appreciation income	27,715	9,503,542
Profits from sale of securities	6,843	4,314
Profits from sale of fix assets	1,967	807,526
Total Income from Investments	12,296,871	18,526,136

	January 1-December	January 1-December
Long-term financial investment impairment provision	(363,231)	(655,903)
Financial investments sales loss and impairment provisions	-	(36,125,536)
Total Expenses from Investments	(363,231)	(36,781,439)

NNote 33 – Financial Expenses

The following are the details of financial expenses in the January 1-December 31, 2014 and January 1-December 31, 2013 periods:

	January 1-December 31, 2014	January 1-December
Interest expenses	(5,735,516)	(9,777,101)
Foreign exchange difference expenses	(1,988,398)	(2,583,118)
Total	(7,723,914)	(12,360,219)

NNote 34 – Financial Income

he following are the details of financial income in the January 1-December 31, 2014 and January 1-December 31, 2013 periods:

	January 1-December 31, 2014	January 1-December
Interest income	5,953,261	858,454
Total	5,953,261	858,454

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.
Footnotes to the Consolidated Financial Statements as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Note 35 – Fixed Assets Held for Sale and Discontinued Operations

A. Fixed Assets Held for Sale

December 31, 2014: None (December 31, 2013: None).

B. Discontinued Operations

January 1-December 31, 2014: None (January 1-December 31, 2013: None).

Note 36 – Income Taxes

A. Current Period Tax Assets and Liabilities

The corporate tax rate is 20 percent.

Dividends paid to corporations that earn income through an office or a permanent agency in Turkey, and corporations located in Turkey are not be subject to withholding tax. Dividend payments other than these shall be subject to withholding tax at a rate of 15 percent. Addition of profit to the capital is not be deemed as dividend distribution and thus, no withholding tax is levied. Corporations pay advance tax at a rate of 20 percent over their three-month financial profits. While advance taxes paid during the year pertain to that year, they are deducted from the corporate tax of the subsequent year, which will be calculated based on the corporate tax statement to be submitted.

Dividend revenues earned by corporations from participation in the capital of another corporation, which is subject to full tax obligations (excluding dividends earned from mutual fund participation certificates and investment trust stocks), are exempt from corporate tax.

Corporate tax exemption applies to the revenues arising from the sale of 75 percent of the properties, participation stocks, dividend right certificates and pre-emption rights that remain in the corporation's assets for at least two full years. In order to benefit from the exemption, such earnings must be held in a fund account under liabilities and not withdrawn for at least 5 years, and the sales revenue must be collected by the end of the second calendar year from the transaction completion date.

According to Turkish tax legislation, financial losses on tax statements may be deducted from the corporation's earnings in the current period, provided that the period of deduction does not exceed five years.

Primary tax expense items as of December 31, 2013 and December 31,2012 were as follows:

	January 1-December 31, 2014	January 1-December
Current period corporate tax	-	-
Deferred tax income/(expense)	(2,186,484)	5,237,853
Closing Balance	(2,186,484)	5,237,853

B. Deferred Tax Assets and Liabilities

The Company calculates its deferred tax assets and liabilities by taking into account the impact of temporary differences arising as a result of separate evaluation of balance sheet items in accordance with TFRS standards and tax legislation. These temporary differences arise from the differences in the periods of the recognition of income and expenses in accordance with TFRS and tax legislation.

Corporate tax rate for 2014 is 20 percent (December 31, 2012: 20 percent). Therefore, a 20-percent rate is applied to deferred tax receivables and liabilities that are calculated based on the temporary differences according to the liability method.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.
Footnotes to the Consolidated Financial Statements as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

The following is the breakdown of accumulated temporary differences and deferred tax assets and liabilities, prepared by using effective tax rates as of December 31, 2014 and December 31, 2013:

	December 31, 2014		December 31, 2013	
	Total Temporary Differences	Deferred Tax Asset/(Liability)	Total Temporary Differences	Deferred Tax Asset/(Liability)
Deferred Tax Liabilities				
Temporary differences on tangible fixed assets	(7,022,209)	(1,404,442)	(10,103,894)	(2,020,779)
Debt rediscounts	(55,361)	(11,072)	(82,956)	(16,591)
Temporary differences on intangible fixed assets	(42,195)	(8,439)	(47,613)	(9,523)
Deferred tax liabilities	(7,119,765)	(1,423,953)	(10,234,463)	(2,046,893)
Deferred tax assets				
Receivables rediscounts	5,710,089	1,142,019	5,321,281	1,064,256
Provisions for impairment of inventories	5,997,867	1,199,573	1,606,304	321,261
Severance provisions	4,149,798	829,960	3,529,702	705,940
Investment discount (R&D Discount)	2,291,249	458,250	3,038,531	607,706
Provisions for doubtful receivables	2,059,507	411,901	215,572	43,114
Guarantee provision expenses	549,575	109,915	675,481	135,096
Litigation provisions	69,000	13,800	86,950	17,390
Temporary differences on intangible fixed assets	-	-	5,475,234	1,095,049
Work advances provision expenses	-	-	593,157	118,631
Loan interest accruals	-	-	394,248	78,850
Provisions for impairment of financial assets	-	-	290,000	58,000
Undiscounted financial losses	-	-	31,876,522	6,375,304
Gross deferred tax assets	20,827,085	4,165,418	53,102,982	10,620,597
Net deferred tax assets	13,707,320	2,741,465	42,868,519	8,573,704

	December 31, 2014		December 31, 2013	
Deferred Taxes Related to Shareholder's Equity	Total Temporary Differences	Deferred Tax Asset/(Liability)	Total Temporary	Deferred Tax Asset/(Liability)
Tangible fixed assets appreciation fund	-	-	(8,911)	(1,782)
Gross deferred tax liability	-	-	(8,911)	(1,782)
Net deferred tax assets/(liabilities)	-	-	(8,911)	(1,782)

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.
Footnotes to the Consolidated Financial Statements as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Net deferred tax assets transactions as follows:

	January 1-December	January 1-December
Balance as of January 1	8,571,922	3,335,851
Deferred tax income/(expense)	(2,186,484)	5,237,853
Cancellation of deferred tax income/(expense) belonging to the companies removed from consolidation	(3,645,755)	-
Cancellation of shareholder's equity-related deferred tax income/(expense) belonging to the companies removed from	1,782	-
Taxes income/(expense) related to shareholder's equity	-	(1,782)
Closing Balance	2,741,465	8,571,922

The Company does not have financial losses that can be entered into account in the balance sheets dated December 31, 2014 (December 12, 2013: 31,876,522 TL)

Note 37 – Earnings/(Loss) per Share

The following are the weighted average number of the Company's shares as of December 31, 2013 and December 31, 2012, and the calculation of earnings per unit share:

Profit/(Loss) per share from continuing operations	January 1-	January 1-
Earnings/(loss) per share from continued operations	11,328,662	(23,699,731)
Weighted average number of shares, each with a nominal value of 1 kuruş	19,137,000,138	19,137,000,138
Profit/(loss) per share from continuing operations(kuruş	0.059	(0.124)
Profit/(Loss) per share		
Net profit/(loss) for the period	11,328,662	(23,699,731)
Net period profit/loss of non-controlling interests	-	(427,723)
Net profit/(loss) for the period of the Parent Company	11,328,662	(23,272,008)
Weighted average number of shares, each with a nominal value of 1 kuruş	19,137,000,138	19,137,000,138
Profit/(Loss) per Share (kuruş)	0.059	(0.124)

There are no discontinued operations of the company

Diluted earnings per share have not been calculated since the Company does not have any potential common shares with dilutive effect (Previous period: None)

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

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

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Note 38 – Related-Party Disclosures

A. The following are the current account balances (net book values) of the Company with its shareholders, with the major companies, which it has an indirect capital, management and business relations through its shareholders, and with its key personnel as of December 31, 2014 and December 31, 2013.

Trade Receivables	December 31,	December 31,
İhlas Pazarlama A.Ş.	18,828,574	13,618,136
İhlas Haber Ajansı A.Ş.	314,343	-
İleri Haber Ajansı Tanıtım İletişim ve Teknik Hizmetleri Tic. A.Ş.	15,716	-
Kuzuluk Kapl. Sağ. ve Petr. Ür. Tic. A.Ş.	584	3,022
İhlas Gazetecilik A.Ş.	-	338,634
Voli Fuar Hiz. A.Ş. (eski unvanı: İhlas Fuar Hiz A.Ş.)	-	352,467
Klas Dış Ticaret A.Ş.	-	121,575
İhlas Net A.Ş.	-	46,288
İletişim Magazin Gazt. Yan. San ve Tic. A.Ş.	-	41,866
Net İletişim Hiz. Elekt. San. Tic. Ltd. Şti.	-	27,564
İhlas İletişim Hizmetleri A.Ş.	-	18,448
İhlas Medya Planlama ve Satınalma Hiz. Ltd. Şti.	-	9,738
İhlas Gelişim Yayıncılık A.Ş.	-	2,972
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	-	1,209
TOTAL	19,159,217	14,581,919

Trade Payables	December 31, 2014	December 31,
Şifa Yemek ve Gıda Üretim Tes. Tic. A.Ş.	144,054	82,588
İhlas Pazarlama Yatırım Holding A.Ş.	61,018	47,455
Net İletişim Hizmetleri Ltd. Şti.	21,628	-
Abdurrahman Gök	19,790	-
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	8,379	1,694
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	6,310	826
Voli Turizm Seyahat Tic. Ltd. Şti.	4,533	1,692
İhlas Net A.Ş.	2,062	3,735
İletişim Magazin Gazt. Yan. San ve Tic. A.Ş.	7	7
İhlas Holding A.Ş.	-	159,278
İhlas Genel Ant. Nk. Tic. A.Ş.	-	45,024
Fikirevim Reklamcılık Görsel Etkinlikler Tic. Ltd. Şti.	-	27,104
İhlas Pazarlama A.Ş.	-	11,711
İhlas Gazetecilik A.Ş.	-	7,592
TOTAL	267,781	388,706

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Advance Payments for Purchase Orders	December 31, 2014	December 31,
İhlas Gazetecilik A.Ş.	935,697	11,518
İhlas Holding A.Ş.	863,432	-
İhlas Yayın Holding A.Ş.	48,272	-
Şifa Yemek ve Gıda Üretim Tes. Tic. A.Ş.	-	233
TOTAL	1,847,401	11,751

Advances Received for Purchase Orders	December 31, 2014	December 31,
İhlas Haber Ajansı A.Ş.	-	263,076
TOTAL	-	263,076

Other Receivables	December 31, 2014	December 31,
İhlas Pazarlama A.Ş. [a]	33,254,415	9,859,761
Ahmet Mücahid Ören [b]	3,467,368	6,258,003
İhlas Holding A.Ş.	-	3,561,378
TOTAL	36,721,783	19,679,142

(a) Financial receivables make up all of the current period balance, and the Company initiates interest proceedings regarding these receivables at period ends.
(b) Receivables arising from stock sales in the previous period, and the Company initiates interest proceedings regarding these receivables at period ends.

Benefits to Key Personnel

Key management personnel include executives (administrative or otherwise) with direct or indirect authority and responsibility to plan, manage and control the Company's operations. Two types of benefits are provided to them: Short-term benefits consist of wages, social security contributions, bonuses, paid vacations and attendance fees. These type of short-term benefits have been reported under the "Employee Benefits Payable" account. Meanwhile, lay-off benefits comprise of the Company's severance payment liability. These types of benefits are reported under "Provisions for Employee Benefits."

Short-term benefits such as wages, attendance fees, etc. paid out to key personnel during the January 1-December 31, 2014 period totaled 650,914 TL (January 1-December 31, 2013: 1,056,123 TL). Meanwhile, short-term benefits (severance payments) to be provided for key management personnel in case they resign totaled 278,046 TL for the period January 1-December 31, 2014 (January 1-December 31, 2013: 274,849 TL).

There were no long-term benefits provided to the Company's key personnel during the periods January 1-December 31, 2014, and the January 1-December 31, 2013.

The Company provided short-term benefits such as wages, attendance fees, etc. in the amount of 3,960 TL to key personnel who resigned during the period January 1-December 31, 2014 (January 1-December 31, 2013: 126,906 TL)

The Company does not make share-based payments.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

B) The following are the sales and purchases (including late interests) arising from the Company's shareholders or from the main companies which it had an indirect capital, management and business relationship through its shareholders during January 1-December 31, 2014 and January 1-December 31, 2013 periods.

Purchases	January 1-December 31,	January 1-December
İhlas Gazetecilik A.Ş.	498,036	455,535
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	461,380	596,251
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	440,932	478,080
İhlas Holding A.Ş.	177,406	513,076
İhlas Genel Ant. Nk. Tic. A.Ş.	137,064	1,195,014
Fikirevim Reklamcılık Görsel Etkinlikler Tic. Ltd. Şti.	53,340	146,061
Net İletişim Hizmetleri Ltd. Şti.	29,879	-
Voli Turizm Seyahat Tic. Ltd. Şti.	22,479	40,212
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	18,000	4,846
İhlas Pazarlama Yatırım Holding A.Ş.	12,899	19,038
İletişim Magazin Gazt. Yan. San ve Tic. A.Ş.	5,684	4,377
İhlas Pazarlama A.Ş.	2,438	361,529
İhlas Net A.Ş.	1,860	37,621
Armutlu Tatil ve Turizm İşletmeleri A.Ş.	1,037	-
Klas Dış Tic. A.Ş.	-	2,564
NETTEC Otomasyon ve Çevre Teknolojileri A.Ş.	-	1,500
İlişkili Şahıslar (Abdurrahman Gök)	27,500	23,750
TOTAL	1,889,934	3,879,454

Sales	January 1-December 31,	January 1-December
İhlas Pazarlama A.Ş.	60,481,456	67,474,600
İhlas Holding A.Ş. Cyprus Office	140,761	83,737
Kuzuluk Kaplıca Tur. A.Ş.	10,003	2,569
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	1,715	81
İhlas Holding A.Ş.	500	508
TGRT Haber TV A.Ş.	280	674
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	32	291
İhlas Genel Ant. Nk. Tic. A.Ş.	-	300
İhlas Gazetecilik AŞ.	-	66
TOTAL	60,634,747	67,562,826

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

C) The following are the interest, rent and other income/expenses the Company paid to or received from its shareholders, or the main companies which it had an indirect capital, management or business relationship through its shareholders during the January 1-December 31, 2014 and January 1-December 31, 2013 periods.

Interest invoices issued	January 1-December 31,	January 1-December
İhlas Pazarlama A.Ş.	4,872,987	839,111
Ahmet Mücahid Ören	555,538	-
İhlas Gazetecilik A.Ş.	50,758	63,966
İhlas Holding A.Ş.	31,288	35,842
İhlas Fuar A.Ş.	-	45,186
Klas Dış Ticaret A.Ş.	-	16,816
İhlas Net A.Ş.	-	5,366
İletişim Magazin Gazt. Yan. San ve Tic. A.Ş.	-	5,117
Net İletişim Hiz. Elekt. San. Tic. Ltd. Şti.	-	3,380
Yakamoz Sektörel Petrol Ürünleri Yapı Gıda Ltd. Şti.	-	2,760
İhlas İletişim Hizmetleri A.Ş.	-	1,931
İhlas Medya Planlama ve Satın alma Hiz. Ltd. Şti.	-	1,440
NETTEC Otomasyon ve Çevre Teknolojileri A.Ş.	-	1,325
İhlas Gelişim Yayıncılık A.Ş.	-	392
Tasfiye Halinde İhlas Finans Kurumu A.Ş.	-	201
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	-	35
TOTAL	5,510,571	1,022,868

Interest invoices received	January 1-December 31, 2014	January 1-
İhlas Pazarlama Yatırım Holding A.Ş.	42,060	2,994
İhlas Holding A.Ş.	1,341	57,133
Şifa Yemek ve Gıda Üretim Tes. Tic. A.Ş.	-	4,255
TOTAL	43,401	64,382

Rent invoices issued	January 1-December 31,	January 1-December
İhlas Gazetecilik A.Ş.	797,340	703,649
İhlas Haber Ajansı A.Ş.	499,392	264,348
İhlas Pazarlama A.Ş.	74,400	78,626
İleri Haber Ajansı Tanıtım İletişim ve Teknik Hiz. Tic. A.Ş.	10,200	-
İhlas Fuar A.Ş.	-	128,663
İhlas Net A.Ş.	-	28,544
İhlas Holding A.Ş.	-	27,600
Klas Dış Ticaret A.Ş.	-	22,741
İletişim Magazin Gazt. Yan. San ve Tic. A.Ş.	-	21,624
Tasfiye Halinde İhlas Finans Kurumu A.Ş.	-	15,840
Net İletişim Hiz. Elekt. San. Tic. Ltd. Şti.	-	11,677
Yakamoz Sektörel Petrol Ürünleri Yapı Gıda Ltd. Şti.	-	10,091
İhlas İletişim Hizmetleri A.Ş.	-	7,568
NETTEC Otomasyon ve Çevre Teknolojileri A.Ş.	-	3,784
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	-	1,188
İhlas Gelişim Yayıncılık A.Ş.	-	1,081
Şifa Yemek ve Gıda Üretim Tes. Tic. A.Ş.	-	792
TOTAL	1,381,332	1,327,816

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

Rents invoices received	January 1-December	January 1-
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	117,600	105,065
İhlas Holding A.Ş.	4,080	13,533
İhlas Gazetecilik A.Ş.	-	1,142
TOTAL	121,680	119,740

Investment Properties Sales	January 1-December	January 1-
İhlas Holding A.Ş.	-	8,993,000

Stock Sales	January 1-December	January 1-
Ahmet Mücahid Ören	-	6,258,003

Investment Properties Purchases	January 1-December	January 1-
İhlas Pazarlama A.Ş.	-	950,000

Note 39 – Nature and Extent of Exposure to Risks Arising from Financial Instruments:

A) Capital risk management

The Company strives to achieve sustainable operations, while also aiming to increase profitability and market value by establishing an efficient balance between liabilities and shareholder's equity.

The capital structure of the Company is comprised of liabilities, including the loans stated in Note 8, as well as cash and cash equivalents, and equity items, including paid-in capital, capital reserves and retained earnings disclosed in Note 27.

Senior management evaluates the Company's capital cost and the risks associated with each type of capital. During such examinations, senior management reviews capital costs and risks associated with each type of capital, and presents to the Board of Directors the decisions that are subject to its consideration. Based on the evaluations conducted by senior management and the Board of Directors, the Company aims to optimize its capital diversification by means of new borrowing, repaying existing debts and/or capital increases. The Company’s overall strategy remains unchanged from the previous period.

The Company keeps track of its capital adequacy by applying the net debts/shareholder's equity ratio. The ratio is found by dividing the net debt by the total shareholder's equity. Net debt is calculated by deducting cash and cash equivalents from the total amount of debts (comprised of loans, trade payables and other debts indicated in the consolidated financial position table [consolidated balance sheet]).

	December 31, 2014	December 31,
Total liabilities	54,487,006	80,836,662
Minus: Cash and cash equivalents (Note 6)	(39,215)	(694,551)
Net liabilities	54,447,791	80,142,111
Total shareholder's equity (Note 27)	191,299,196	186,435,287
Net liability/shareholder's equity ratio	28%	43%

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira (“TL”) unless otherwise stated.)

B) Significant accounting policies

The Company’s significant accounting policies related to financial instruments are outlined in the section “Financial Instruments” under footnote number 2: “Summary of Significant Accounting Policies.”

C) Financial risk management objectives

The Company constantly keeps up with domestic and foreign market developments so as to monitor and manage the level and size of the risks it faces, or may face, with regard to its facilities. The Company’s significant financial risks include risks of foreign exchange, interest rate and liquidity.

Even though the Company does not have a defined risk management model, its administration manages the risks through decisions and implementations. Development of a corporate risk management model is in the works.

D) Market risk

As a result of its operations, the Company is subject to financial risks related to price, as well as changes in exchange and interest rates. The management continuously monitors the breakdown of revenues and expenses based on foreign currency, the breakdown of liabilities based on foreign currency, and floating/fixed interest rates.

The changes in market conditions that lead to market risk include changes in the benchmark interest rate and changes in the price, cost price, foreign exchange rate and price or ratio indices of another entity.

Management of stock price changes (price risk)

The Company is exposed to price risks as its sales prices are affected by the changes in raw material stock prices. There is no derivative instrument that can be used to avoid the impact of negative price movements on sales margins. The Company reviews the balance between ordering, production and purchasing by taking into account prospective raw material prices in the future, and it tries to adjust the sales prices based on raw material price changes.

Interest rate risk management:

The Company borrows at fixed and floating interest rates. Interest rates pertaining to the Company’s liabilities are disclosed in detail in footnote 8.

Interest Position Table

		December	December 31, 2013
Financial instruments with fixed interest rates			
Financial assets	Assets whose fair value is not reflected in profit/loss	-	102,777
	Available-for-sale financial assets	591,650	814,760
Financial liabilities		-	4,799,656
Financial instruments with variable interest rates			
Financial assets		-	-
Financial liabilities		1,517,367	33,893,022

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

As of December 31, 2014, and December 31, 2013, if the interest base point had changed by 100 points 5, in other words, if interest rates had changed by 1 percent, and all other variables had remained the same, it would have led to a net interest expense of 21,855 TL (Previous period: 60,354 TL)because of the changing interest rate of financial instruments with fixed interest rates, and in this case the period net profit/loss before tax would have been 21,855 TL (Previous period: 60,354 TL).

The Company's interest rate sensitivity is as follows:

Interest Rate Sensitivity Analysis Table

	December 31, 2014		December	
	Profit/Loss		Profit/Loss	
	Increase of Base Point	Decrease of Base Point	Increase of Base Point	Decrease of Base Point
	In the event of a 100-base point (1 percent) increase:			
TL	-	-	(14,092)	14,092
USD	-	-	-	-
EURO	-	-	-	-
Total Effect of Financial Instruments with Fixed Rates	-	-	(14,092)	14,092
	In the event of a 100-base point (1 percent) increase:			
TL	(21,855)	21,855	(46,262)	46,262
USD	-	-	-	-
EURO	-	-	-	-
Total Effect of Financial Instruments with Floating Rates	(21,855)	21,855	(46,262)	46,262
TOTAL	(21,855)	21,855	(60,354)	60,354

Foreign exchange risk management:

As of December 31, 2014, and December 31, 2013, book values (net) of foreign currency-denominated financial assets and liabilities are as follows:

	December 31, 2014	December 31,
A. Assets in foreign currency	895,296	2,838,091
B. Liabilities in foreign currency	32,607,797	27,013,938
Net foreign exchange position (A-B)	(31,712,501)	(24,175,847)

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

FOREIGN EXCHANGE POSITION TABLE

	December 31, 2014					
	TL Equivalent	USD	EURO	CHF	GBP	SEK
1. Trade Receivables	43,514	2,082	13,715	-	-	-
2a. Monetary Financial Assets (including cash and bank accounts)	19,206	3,715	3,755	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	832,576	342,052	13,965	-	-	-
4. Current Assets (1+2+3)	895,296	347,849	31,435	-	-	-
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)	895,296	347,849	31,435	-	-	-
10. Trade Payables	31,611,546	386,873	10,888,937	-	-	-
11. Financial Liabilities	-	-	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	996,251	119,672	254,810	-	-	-
13. Short-Term Liabilities (10+11+12)	32,607,797	506,545	11,143,747	-	-	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	-	-	-	-	-	-
18. Total Liabilities (13+17)	32,607,797	506,545	11,143,747	-	-	-
19. Net Asset/(Liability) Position of Foreign Currency Derivative Instruments outside the Statement of Financial Position (19a-19b)	-	-	-	-	-	-
19a. Amount of Foreign Currency Derivative Assets outside the Active Financial Position Statement	-	-	-	-	-	-
19b. Amount of Foreign Currency Derivative Assets outside the Passive Financial Position Statement	-	-	-	-	-	-
20. Net Foreign Currency Asset/(Liability) Position) (9-18+19)	(31,712,501)	(158,696)	(11,112,312)	-	-	-
21. Monetary Items Net Foreign Asset/(Liability) Position(l+2a+5+6a-10-ll-12a-14-15-16a)	(31,548,826)	(381,076)	(10,871,467)	-	-	-
22. Total Fair Value of Financial Instruments used for Foreign Exchange Hedge	-	-	-	-	-	-
23. Amount of Hedged Foreign Exchange Assets	-	-	-	-	-	-
24. Amount of Hedged Foreign Exchange Liabilities	-	-	-	-	-	-
25. Export	18,475,057	5,659,203	1,470,439	-	-	-
26. Import	32,771,809	2,977,261	9,226,595	-	-	-

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

FOREIGN EXCHANGE POSITION TABLE

	December 31, 2013					
TL Equivalent		USD	EURO	CHF	GBP	SEK
1. Trade Receivables	816,148	15,461	266,695	-	-	-
2a. Monetary Financial Assets (including cash and bank accounts)	10,870	3,831	918	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	2,011,073	464,708	347,096	-	-	-
4. Current Assets (1+2+3)	2,838,091	484,000	614,709	-	-	-
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Fixed Assets (5+6+7)	-	-	-	-	-	-
9. Total Assets (4+8)	2,838,091	484,000	614,709	-	-	-
10. Trade Payables	26,976,547	1,171,938	8,334,847	-	-	-
11. Financial Liabilities	-	-	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	37,391	15,803	1,247	-	-	-
13. Short-Term Liabilities (10+11+12)	27,013,938	1,187,741	8,336,094	-	-	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	-	-	-	-	-	-
18. Total Liabilities (13+17)	27,013,938	1,187,741	8,336,094	-	-	-
19. Net Asset/(Liability) Position of Foreign Currency Derivative Instruments outside the Statement of Financial Position (19a-19b)	-	-	-	-	-	-
19a. Amount of Foreign Currency Derivative Assets	-	-	-	-	-	-
19b. Amount of Foreign Currency Derivative Assets	-	-	-	-	-	-
20. Net Foreign Currency Asset/(Liability) Position) (9-18+19)	(24,175,847)	(703,741)	(7,721,385)	-	-	-
21. Monetary Items Net Foreign Asset/(Liability) Position(l+2a+5+6a-10-ll-12a-14-15-16a)	(26,149,529)	(1,152,646)	(8,067,234)	-	-	-
22. Total Fair Value of Financial Instruments used for Foreign Exchange Hedge	-	-	-	-	-	-
23. Amount of Hedged Foreign Exchange Assets	-	-	-	-	-	-
24. Amount of Hedged Foreign Exchange Liabilities	-	-	-	-	-	-
25. Export	19,210,250	6,394,727	2,738,900	-	-	-
26. Import	40,524,622	9,404,949	9,345,918	-	-	-

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

As of December 31, 2014, and December 31, 2013, the Company's hedging ratio of total foreign currency liabilities arising from total imports is the coverage ratio of the exchange rate risk by means of a derivative instrument. There is no hedging ratio of total foreign currency liabilities, since the Group has no futures trading.

If there had been a 10 percent value change in the TL against the USD, Euro and other foreign currencies simultaneously, and if all other variables had remained the same as of December 31, 2014, and December 31, 2013, the net period profit/loss before tax as a result of net foreign exchange gains/losses arising from the assets and liabilities in these currencies, would have been:

3,171,250 TL lower/higher as of December 31, 2014.

2,417,585 TL lower/higher as of December 31, 2013.

Foreign exchange risk sensitivity analysis related to the Company's foreign exchange position is as follows:

Foreign Exchange Sensitivity Analysis Table

	December 31 2014		December 31 2013	
	Profit/Loss		Profit/Loss	
	Foreign currency appreciation	Foreign currency appreciation	Foreign currency appreciation	Foreign currency appreciation
In the event of a 10 percent change in USD currency:				
1-Net asset/(liability) in USD	(36,800)	36,800	(150,200)	150,200
2-Part protected against USD risk (-)	-	-	-	-
3- Net Effect in USD (1+2)	(36,800)	36,800	(150,200)	150,200
In the event of a 10 percent change in EURO currency:				
4-Net asset/(liability) in EURO	(3,134,450)	3,134,450	(2,267,385)	2,267,385
5-Part protected against EURO risk (-)	-	-	-	-
6-Net Effect in EURO (4+5)	(3,134,450)	3,134,450	(2,267,385)	2,267,385
In the event of a 10 percent change in other currencies				
7-Net asset/(liability) in other foreign currency	-	-	-	-
8-Part protected against other foreign currency risk (-)	-	-	-	-
9-Net Effect in Other Currencies (7+8)	-	-	-	-
Total (3+6+9)	(3,171,250)	3,171,250	(2,417,585)	2,417,585

E) Credit and collection risk management

The Company's credit and collection risk is essentially related to its trade receivables. The amount recognized in the balance sheet is the net value calculated after deducting the doubtful receivables estimated by the Company management based on its previous experiences and current economic circumstances. The Company's credit risk is mitigated due to the fact that it works with many customers. As a result, no significant credit risk increase is observed. Moreover, the Company performs effective risk management by providing guarantees with respect to its trade receivables.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.
Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

Credit risk exposure based on type of financial instruments:

	Receivables					
December 31, 2014	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party	Bank Deposits	ash and Other
Maximum credit risk exposure as of the reporting date (A+B+C+D)(1)	80,435,590	19,159,217	36,721,783	388,492	15,147	24,068
Part of maximum risk secured by guarantee etc.	23,189,000	-	-	-	-	-
A. Net book value of financial assets which are neither overdue nor subject to impairment(2)	77,592,216	19,159,217	36,721,783	388,492	15,147	24,068
B. Net book value of assets which are overdue but not subject to impairment(5)	-	-	-	-	-	-
C. Net book value of assets subject to impairment(3)	2,843,374	-	-	-	-	-
-Overdue (gross book value)	4,965,946	1,377	-	-	-	-
-Impairment (-)	(2,122,572)	(1,377)	-	-	-	-
-Part of net value secured by guarantee etc.	-	-	-	-	-	-
-Undue (gross book value)	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-Part of net value secured by guarantee etc.	-	-	-	-	-	-
D. Credit risk containing elements outside the statement of financial position(4)	-	-	-	-	-	-

(*) Consist of shares being followed in the financial investments account.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

(1) Factors such as received guarantees, which enhance loan credibility, are not taken into account in the determination of the amount.

(2) Financial assets which are not overdue or not subject to impairment are not expected to be subject to impairment in the future either; thus, no credit risk is expected.

(3) Following is the aging analysis for financial assets which were overdue but not impaired as of 31.12.2014:

	Trade Receivables		Other Receivables	
	Overdue Amount	Provisions for Doubtful	Overdue Amount	Provisions for Doubtful
1-30 days overdue	1,494,000	(149,400)	-	-
1-30 months overdue	565,000	(197,750)	-	-
3-12 months overdue	2,828,809	(1,697,285)	-	-
1-5 years overdue	79,514	(79,514)	-	-
More than 5 years overdue	-		-	-
Total	4,967,323	(2,123,949)	-	-
Part secured by guarantee etc.	-	-	-	-

There are various indicators that would normally be met for a receivable to be deemed doubtful: a) Data on receivables that could not be collected in previous years, b) Debtor's solvency, c) Extraordinary circumstances in the sector and present economic environment d) Initiation of lawsuit procedures due to issues related to the collection of receivables.

Due to a weakening ability to collect the receivables, a provision is allocated for the entire amount of the receivables, which are subject to executive proceedings and are in the trial stage.

(4) There are no guarantees or irrevocable credit commitments received from the companies under credit risk.

(5) There are no overdue financial assets that are not impaired.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014

(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

	Receivables					
December 31, 2013	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party	Bank Deposits	Cash and Other
Maximum credit risk exposure as of the reporting date (A+B+C+D)(1)	14,581,919	76,006,282	19,679,142	1,844,694	623,932	833,396
Part of maximum risk secured by guarantee etc.	21,343,000	-	-	-	-	-
A. Net book value of financial assets which are neither overdue nor subject to impairment(2)	14,581,919	76,006,282	19,679,142	1,788,044	623,932	173,396
B. Net book value of assets which are overdue but not subject to impairment(5)	-	-	-	-	-	-
C. Net book value of assets subject to impairment(3)	-	-	-	56,650	-	660,000(*)
-Overdue (gross book value)	42,806	5,283,131	-	314,002	-	-
-Impairment (-)	(42,806)	(5,283,131)	-	(257,352)	-	-
-Part of net value secured by guarantee etc.	-	-	-	-	-	-
-Undue (gross book value)	-	-	-	-	-	950,000
-Impairment (-)	-	-	-	-	-	(290,000)
-Part of net value secured by guarantee etc.	-	-	-	-	-	-
D. Credit risk containing elements outside the statement of financial	-	-	-	-	-	-

(*) Consist of shares being followed in the financial investments account.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

(1) Factors such as received guarantees, which enhance loan credibility, are not taken into account in the determination of the amount.

(2) Financial assets which are not overdue or not subject to impairment are not expected to be subject to impairment in the future either; thus, no credit risk is expected.

(3) The following is the aging analysis for financial assets which were overdue but not impaired as of 31.12.2013:

	Trade Receivables		Other Receivables	
	Overdue Amount	Provisions for Doubtful	Overdue Amount	Provisions for Doubtful
1-30 days overdue	-	-	-	-
1-30 months overdue	-	-	-	-
3-12 months overdue	-	-	56,650	-
1-5 years overdue	5,325,937	(5,325,937)	257,352	(257,352)
More than 5 years overdue	-	-	-	-
Total	5,325,937	(5,325,937)	314,002	(257,352)
Part secured by guarantee etc.	-	-	-	-

There are various indicators that would normally be met for a receivable to be deemed doubtful: a) Data on receivables that could not be collected in previous years, b) Debtor's solvency, c) Extraordinary circumstances in the sector and present economic environment d) Initiation of lawsuit procedures due to issues related to the collection of receivables.

Due to a weakening ability to collect the receivables, a provision is allocated for the entire amount of the receivables, which are subject to executive proceedings and are in the trial stage.

(4) There are no guarantees or irrevocable credit commitments received from the companies under credit risk.

(5) There are no overdue financial assets that are not impaired.

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

F) Liquidity risk management

The Company manages its liquidity risk by regularly keeping view of estimated and actual cash flows and by providing continuity of adequate funds and borrowing reserves by matching the maturities of its financial assets and liabilities.

December 31, 2014

Contractual Maturities	Book Value	Contractual Cash Outflows Total	Less than 3 Months	3 to 12 Months	1 to 5 Years
Non-Derivative Financial Liabilities	38,473,460	39,257,346	27,436,356	11,133,014	687,976
Bank Loans	1,517,367	1,517,367	1,517,367	-	-
Trade Payables	28,693,867	29,477,753	19,670,696	9,807,057	-
Other Liabilities	8,262,226	8,262,226	6,248,293	1,325,957	687,976
Expected Maturities	**Book Value**	**Expected Cash Outflows Total**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**
Non-Derivative Financial Liabilities	10,439,795	10,905,663	-	10,287,088	618,575
Trade Payables	8,808,946	9,235,067	-	9,235,067	-
Other Liabilities	1,630,849	1,670,596	-	1,052,021	618,575
Expected (or Contractual) Maturities	**Book Value**	**Contractually Expected Cash Outflows Total**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**
Derivative Cash Inflows	-	-	-	-	-
Derivative Cash Outflows	-	-	-	-	-

December 31, 2013

Contractual Maturities	Book Value	Contractual Cash Outflows Total	Less than 3 Months	3 to 12 Months	1 to 5 Years
Non-Derivative Financial Liabilities	67,019,843	67,268,503	18,145,504	49,122,999	-
Bank Loans	38,692,678	38,551,759	5,393,302	33,158,457	-
Trade Payables	24,402,039	24,791,618	9,106,874	15,684,744	-
Other Liabilities	3,925,126	3,925,126	3,645,328	279,798	-
Expected Maturities	**Book Value**	**Expected Cash Outflows Total**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**
Non-Derivative Financial Liabilities	8,238,442	8,513,585	338,407	7,412,747	762,431
Trade Payables	6.714.242	6,976,172	177,897	6,798,275	-
Other Liabilities	1,524,200	1,537,413	160,510	614,472	762,431
Expected (or Contractual) Maturities	**Book Value**	**Contractually Expected Cash Outflows Total**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**
Derivative Cash Inflows	-	-	-	-	-
Derivative Cash Outflows	-	-	-	-	-

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.

Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

G) Hedge Accounting

The Company does not perform forwards, futures, options and swaps transactions for hedging the risks arising from derivative products trading transactions and foreign exchange and/ or interest rate (fixed and floating).

Note 40 – Financial Instruments (Disclosures on Fair Value and Hedge Accounting)

In accordance with TAS 39 "Financial Instruments: Recognition and Measurement," financial assets are classified into four categories, whereas financial liabilities are classified into two categories. 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.

Following are the values and classification of financial assets and liabilities as of December 31, 2014 and December 31, 2013:

December 31, 2014	Financial Assets at Fair Value through Income Statement and Liabilities	Financial Assets to be Kept Until Maturity	Loans and Payables	Ready-for-Sale Financial	Other/Debts Measured at Amortized Costs	Note Ref.
Financial Assets						
Cash and Cash Equivalents	39,215	-	-	-	-	6
Financial investments	-	-	-	591,650	-	7
Trade Receivables	-	-	99,594,807	-	-	10
Other Receivables	-	-	37,110,275	-	-	11
Financial Liabilities						
Financial Debt	-	-	-	-	1,517,367	8
Trade Payables	-	-	-	-	37,502,813	10
Other Payables	-	-	-	-	-	11

December 31, 2013	Financial Assets at Fair Value through Income Statement and Liabilities	Financial Assets to be Kept Until Maturity	Loans and Payables	Ready-for-Sale Financial	Other/Debts Measured at Amortized Costs	Note Ref.
Financial Assets						
Cash and Cash Equivalents	694,551	-	-	-	-	6
Financial investments	762,777	-	-	814,760	-	7
Trade Receivables	-	-	90,588,201	-	-	10
Other Receivables	-	-	21,523,836	-	-	11
Financial Liabilities						
Financial Debt	-	-	-	-	38,692,678	8
Trade Payables	-	-	-	-	31,116,281	10
Other Payables	-	-	-	-	-	11

İhlas Ev Aletleri İmalat San. ve Tic. A.Ş.
Footnotes to the Consolidated Financial Statements
as of December 31, 2014
(All amounts are shown in Turkish lira ("TL") unless otherwise stated.)

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

The Company classifies the fair value measurement of each class of financial instruments, reflected at fair values in the consolidated financial statements according to the source of their inputs, using the three-level hierarchy as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques including inputs that are observable, directly or indirectly

Level 3: Valuation techniques not including observable market inputs

The following is the fair value measurement hierarchy table as of December 31, 2014:

Financial assets carried to statement of financial position from fair value	Level 1	Level 2	Level 3
Cash and Cash Equivalents	-	39,215	-

The following is the fair value measurement hierarchy table as of December 31, 2013:

Financial assets carried to statement of financial position from fair value	Level 1	Level 2	Level 3
Cash and Cash Equivalents	-	694,551	-
Financial Investments (Stocks)	762,777	-	-

Note 41 – Events After Balance Sheet Date

Sale of Subsidiaries' Shares

The Company sold at the BIST 7,907,538 lots of the shares it owns at its subsidiary İhlas Madencilik A.Ş. between February 23, 2015 and February 26, 2015, and thus its participation rate in this company fell to 21.86 percent, down from 31.81 percent.

Approval of the Financial Statements

The consolidated financial statements dated December 31, 2014, were approved by the Board of Directors and permission was given for them to be published on March 2, 2015. Only the General Assembly is authorized to make changes to the consolidated financial statements after they are published by the partners of the Company or by third parties.

Note 42 – Miscellaneous Items to Clarify and Explain the Financial Statements and Items that Significantly Affect the Financial Statements

None.

CONTACT INFORMATION

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