

İHLAS HOLDİNG



ANNUAL REPORT 2018



EXPERIENCE

We have been operating in Turkey since 1970. As İhlas Holding, one of the deep-rooted private sector institutions of Turkey, we shape the future with our experience in different fields.



EXPERTISE

Thanks to the expertise brought by the experience, we take firm steps into the future and continue our investments in the fields of construction and timeshare management, production and marketing, media and communication.



REPUTATION

We continue to build confidence to in daily life brands into the life of high and quality Türkiye News Marketing



INNOVATION

Our companies, which are constantly renewing themselves under the digitalized life conditions, continue to add value to the lives of new generations by offering user-friendly products and contemporary services.



SUCCESS

In addition to its solid shareholding structure and strong financial performance, our Holding's total assets amounted to TRY 2.5 billion in 2018.



ATION

ue to give
o our people
with many
twined with
recognition
ty such as
spaper, Ihlal
and TGRT.

Table of Contents

İHLAS HOLDİNG AT A GLANCE

- 04 İhlas Group in Brief
- 06 Fields of Activity of İhlas Group
- 08 Main Financial Indicators
- 10 Milestones

FROM THE MANAGEMENT

- 16 Message from the Chairman of the Board of Directors

OPERATIONS IN 2018

Construction and Timeshare Management

- 22 İhlas İnşaat Holding A.Ş. (İhlas Construction Group)
- 24 Completed Projects
- 30 Ongoing Projects
- 32 İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. (İhlas Real Estate Project Development and Trade)
- 34 Kuzuluk Kaplıca İnşaat Turizm Sağlık ve Petrol Ürünleri Ticaret A.Ş. (Kuzuluk Thermal Houses)
- 36 Armutlu Tatil ve Turizm İşletmeleri A.Ş. (Aramutlu Holiday Resort)

Media and Communications

- 40 İhlas Yayın Holding A.Ş. (İhlas Media Holding)
- 42 İhlas Gazetecilik A.Ş. (Türkiye Newspaper)
- 46 İhlas Haber Ajansı A.Ş. (İhlas News Agency, "İHA")
- 48 TGRT HABER TV A.Ş. (TGRT Haber TV)
- 50 TGRT FM (TGRT FM Radio)
- 52 TGRT Dijital TV Hizmetleri A.Ş. (TGRT Belgesel TV)
- 54 Dijital Varlıklar Görsel Medya ve İnternet Hizmetleri Ltd. Şti. (Digital Assets)

Production, Marketing and Trade

- 58 İhlas Pazarlama A.Ş. (İhlas Marketing)
- 60 İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. (İhlas Home Appliances)

Health and Education

- 64 Türkiye Gazetesi Hospital (Türkiye Newspaper Hospital)
- 68 İhlas Educational Institutions

CORPORATE GOVERNANCE

- 72 Board of Directors
- 79 Senior Management
- 86 Independent Auditor's Report on the Annual Report of the Board of Directors
- 88 Annual Report of the Board of Directors
- 154 Information on 2018 Results to be Submitted to the General Assembly by the Board of Directors of İhlas Holding A.Ş.
- 155 Statement of Responsibility
- 156 Audit Report about the Early Detection of Risk System and Management of Risk Committee

FINANCIAL INFORMATION

- 157 Consolidated Financial Statements and Independent Auditor's Report Pertaining to the Period between 01/01/2018 and 31/12/2018
- 246 Contact Information

"FIVE IN ONE"



A piece of jewelry that we share with our loved ones has an important place in our culture. The jewelry we call "five-in-one" which brings together five pieces of gold, gives confidence to people in good and bad times and adds value to their lives.

As 5 brands combined under the umbrella of the Holding, we continue to give confidence to Turkey.

As in the last 4 years, we have shaped our annual reports within the framework of a common concept. This year, with the theme of "**Five in One**," we will tell about the values we have added to life in different areas.

Regardless of the field that we operate in, our main goal is always to do the best we can. In our half-century-long deep-rooted history, we have always progressed towards this goal.

We have provided valuable products and services in a wide range of operations, from construction and timeshare management to media and communications and from production, marketing and trade to education and health.

We will continue to be a part of the changing life with our innovations and to prepare a bright future for our country and people.

İHLAS GROUP IN BRIEF

THE ESTABLISHMENT OF TÜRKİYE NEWSPAPER IN 1970,
LAID THE FOUNDATIONS OF İHLAS GROUP AND WITH THE
IN-PERSON DELIVERY OF THE NEWSPAPER IN 1978,
THE GROUP HAS STARTED ITS MARKETING ACTIVITIES.



32

NUMBER OF
COMPANIES
IN İHLAS GROUP

İhlas Group, one of the most important groups in Turkey, has a wide range of activities throughout the country with 32 companies and 2,589 employees. Also standing out with its cultural activities, İhlas Group carries out activities throughout Turkey.

The establishment of Türkiye Newspaper in 1970, laid the foundations of İhlas Group and with the in-person delivery of the newspaper in 1978, the group has started its marketing activities. Establishing its own printing plants in 1981, Türkiye Newspaper performed its own printing and expanded its publishing range with the various printing methods.

İhlas Holding's marketing organization has expanded by means of including various products to its portfolio apart from newspaper delivery and has become a widespread marketing network that offers face-to-face product promotion to thousands of consumers.

In 1989, İhlas Group ventured into the construction sector with its "İhlas Yuva Evleri" project.

Continuing its corporate development, the Group founded İhlas Home Appliances Company in 1990 and began manufacturing electronic devices and home appliances. The Group then ventured into the healthcare sector by establishing the Türkiye Newspaper Hospital in 1991.

BROAD EXPERIENCE IN MEDIA SECTOR

Having broken circulation records in the 1990s, the Türkiye Newspaper had been distributed in the U.K. and the U.S. during that period. Later, it was printed in Germany as well. In order to expand its successful track record in news reporting to other media outlets, the Group founded İhlas News Agency, TGRT FM radio station, and the TGRT television channel in 1993.

In 1993, İhlas Group gathered its subsidiaries under the umbrella of the Holding company in order to ensure a steadier growth. In line with the new investment strategies, the Group started construction of the timeshare resorts with Kuzuluk

Thermal Resort in 1995. İhlas Group established İhlas College in 1996 with the aim of providing service in the field of education with a sense of social responsibility.

In parallel with the liberalization process in energy markets, İhlas Group participated in a number of electricity distribution and mining tenders during the period from 1997 to 1998. Later, the Group obtained licenses for extracting valuable mineral resources, such as metal ores, coal and industrial raw materials, in order to contribute to the national economy.

During the 2000s, İhlas Holding was restructured as groups to create synergy between group companies and to encourage specialization in the fields of activity.

Accordingly, İhlas Media Holding was founded in 2003 and began to operate in magazine publishing, media planning, trade show organization, and digital content design and production sectors in addition to its existing fields of activity such as newspaper publishing, news agency, and broadcast journalism.

In 2004, TGRT Haber, a thematic news channel, was established. Two years later, in 2006, focusing solely on news reporting with TGRT Haber TV, the Group sold TGRT TV.

WIDE RANGE OF EXPERTISE IN THE CONSTRUCTION SECTOR

In addition to the developments in publishing in 2004, the Group constructed the Armutlu Timeshare Holiday Resort on 362,000 square meter land in Armutlu district of Yalova.

The Group continues its construction investments with Kristalşehir (Crystal City) and Bizim Evler (Our Houses) housing projects. In addition, the construction of the residential and commercial units in the Güzelce and Beylikdüzü regions is currently ongoing. The contractor firm completed the construction of 450 apart units, one cure center and one administrative

İHLAS GROUP HAS STARTED PRODUCTION ACTIVITIES WITH ELECTRONIC HOME APPLIANCES WHICH WERE FOLLOWED BY FOOD PRODUCTION AND CATERING SERVICES.

building on a 62,775 square meters plot in Yalova by means of revenue sharing and delivered it to İhlas Holding.

Continuing its investments without ceasing, İhlas Group started the Marmara Evleri Housing Project Phase 4 on a 61,705 square meters plot in Yakuplu, Beylikdüzü district and Bizimevler 8 Project in İspartakule, Avcılar district in İstanbul.

To date, 19,393 of the 23,067 residential and commercial unit construction projects including business centers, holiday resorts, television studios, education complexes, and residential compounds have been completed as part of construction and real estate activities brought together under the umbrella of İhlas Construction Holding in 2010 and 3,674 projects are ongoing at the construction phase.

INCREASE IN MARKETING FIELDS

Having started its production activities in the field of electronics and household appliances, İhlas Group has gradually expanded its product line with food production and catering.

SOCIAL RESPONSIBILITY INVESTMENTS RANGING FROM HEALTH TO EDUCATION

İhlas Holding has undertaken a social mission in its activities in the field of education and health. The Türkiye Newspaper Hospital is an established health institution with deep roots in the community. The Hospital delivers exclusive and ethical health services, offering patients medical solutions for a wide range of health problems, as well as strong moral support in a family-like atmosphere where they can feel as comfortable as they feel in their homes.

İhlas Educational Institutions, which provide education at all levels, starting from kindergarten to high school, implement an education system that embraces social values, the principles and practices of the age of information and technology, and can also be put into practice in today's business and daily life.

19,393

NUMBER OF HOUSES AND COMMERCIAL UNITS COMPLETED

FIELDS OF ACTIVITY OF İHLAS GROUP

İHLAS GROUP, ONE OF THE MOST IMPORTANT GROUPS IN TURKEY, MAINTAINS ITS LEADING POSITION IN THE SECTOR WITH ITS 32 COMPANIES AND 2,589 EMPLOYEES AS OF YEAR-END 2018.



CONSTRUCTION AND TIMESHARE MANAGEMENT

- İhlas İnşaat Holding A.Ş. (İhlas Construction Group)
- İhlas Yapı Turizm ve Sağlık A.Ş. (İhlas Construction Tourism and Health Group)
- İhlas Yapı Turizm ve Sağlık A.Ş. (İhlas Construction Tourism and Health Group)
- İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. (İhlas Real Estate Project Development and Trade)
- Kuzuluk Kaplıca İnşaat Turizm Sağlık ve Petrol Ürünleri Ticaret A.Ş. (Kuzuluk Thermal Houses)
- Armutlu Tatil ve Turizm İşletmeleri A.Ş. (Armutlu Holiday Resort)



PRODUCTION, MARKETING AND TRADE

- İhlas Pazarlama A.Ş.
- İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. (İhlas Home Appliances)
- KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.
- Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.



MEDIA AND COMMUNICATIONS

- İhlas Yayın Holding A.Ş. (İhlas Media Holding)
- İhlas Gazetecilik A.Ş. (Türkiye Newspaper)
- İhlas Haber Ajansı A.Ş. (İhlas News Agency, "İHA")
- TGRT HABER TV A.Ş. (TGRT HABER TV)
- TGRT FM (TGRT FM Radio)
- TGRT Dijital TV Hizmetleri A.Ş. (TGRT Belgesel TV)
- Dijital Varlıklar Görsel Medya ve İnternet Hizmetleri Ltd. Şti. (Digital Assets)



EDUCATION AND HEALTH

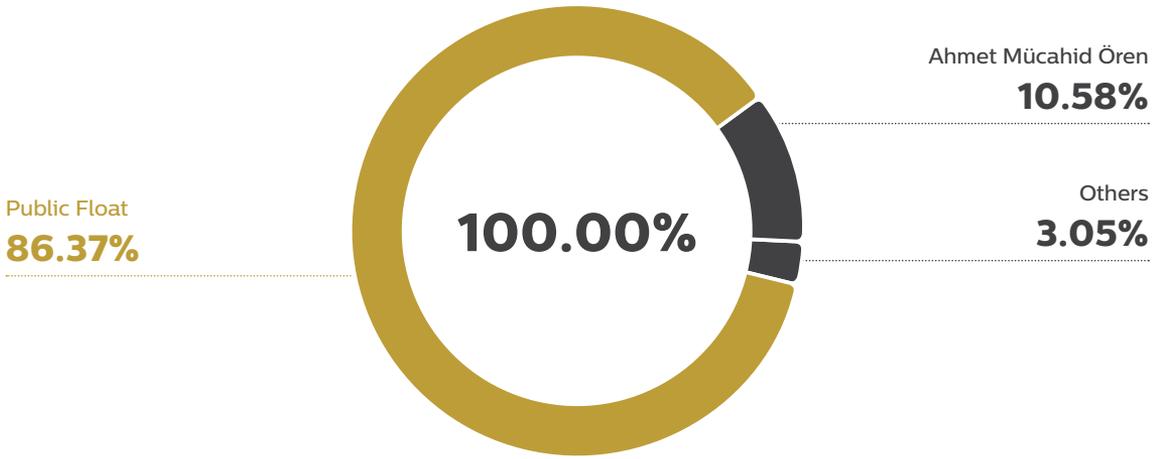
- Türkiye Gazetesi Hastanesi* (Türkiye Newspaper Hospital)
- İhlas Eğitim Kurumları* (İhlas Educational Institutions)

* Operates under İhlas Holding.

MAIN FINANCIAL INDICATORS

IN 2018, İHLAS HOLDING ACHIEVED STRONG FINANCIAL AND OPERATIONAL RESULTS THANKS TO ITS STRONG SHAREHOLDING STRUCTURE.

SHAREHOLDING STRUCTURE



ACCORDING TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, THE MAIN FINANCIAL INDICATORS ARE AS FOLLOWS:

NUMBER OF EMPLOYEES

NET SALES
(TRY BILLION)

1,274

SUBSIDIARIES

1,740

SHAREHOLDER'S
EQUITY
(TRY BILLION)

814

PARENT
COMPANY

849

TOTAL ASSETS
(TRY BILLION)

2,476

TOTAL

2,589

Corporate Governance Ratings

General Compliance Level	8,33 AA (Trk)/bbb/(positive)
Shareholders	8,19 AA (Trk)/bbb/(stable)
Public Disclosure and Transparency	8,44 AA (Trk)/bbb/(positive)
Stakeholders	8,20 AA (Trk)/bbb/(stable)
Board of Directors and Senior Management	8,42 AA (Trk)/bbb/(positive)

SECTORAL DISTRIBUTION OF SALES IN 2018 (%)

Construction

55%

Marketing

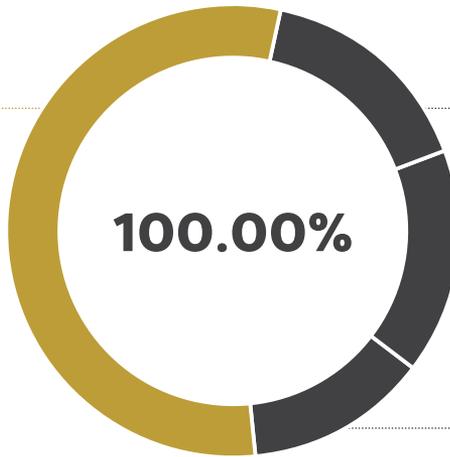
16%

Media

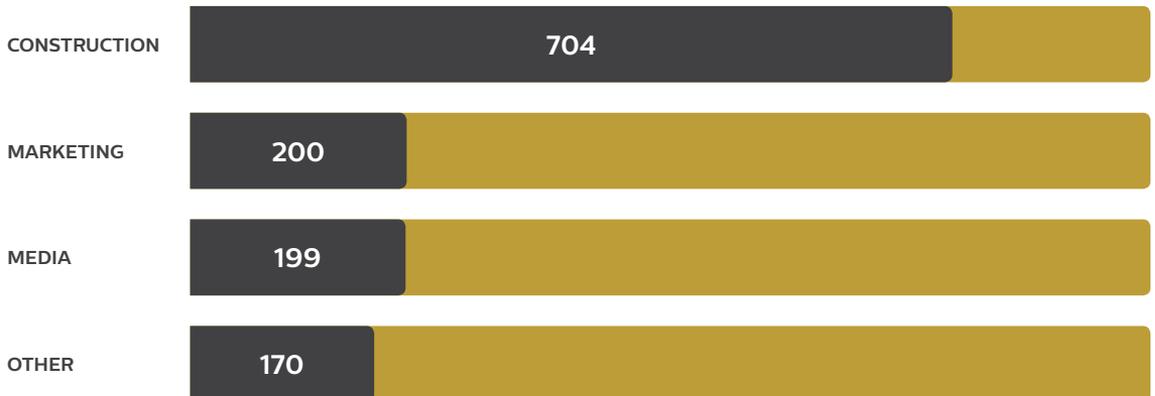
16%

Others

13%



SALES INCOME BY SECTORS (TRY MILLION)



MILESTONES



Hakikat Newspaper was founded.



Türkiye Newspaper started in-person delivery service.



Türkiye Newspaper started to be printed with the offset printing technique.

1970

1972

1978

1981

1983

1989

Hakikat Newspaper's name was changed as Türkiye Newspaper.



Hakikat Offset printing facility was established and began its operations.

Türkiye Children's Magazine published its first issue.



İhlas Construction Group was founded and the construction of İhlas Yuva Evleri (İhlas Yuva Houses) commenced.





Türkiye Newspaper raised its circulation to 1,361,553 copies, breaking a record in the history of printing.

The Holding commenced manufacturing home appliances and consumer electronics.

Türkiye Newspaper began daily distribution in the UK and the US.

1990

1991

Türkiye Newspaper began using digital production processes and computers.

Türkiye Newspaper Hospital started its services.



1992



First residents began their lives at Ihlal Yuva Evleri (Ihlal Yuva Houses).

The Holding became the distributor in Turkey for the South Korean car brand KIA.

1993

The Holding acquired the distributorship of French-made Citroen and Japanese-made Subaru cars in Turkey.

Ihlal News Agency was established.

TGRT FM began broadcasting.

TGRT TV began broadcasting.



Ihlal Holding's shares began to be traded on the stock exchange.

The ground was broken on the Kuzuluk Kaplica Evleri (Kuzuluk Thermal Houses) project in Sakarya.

1994

1995

Ihlal Group acquired Kristal Su.

Ihlal Cargo was established.

Ihlal Finance Institution was established.

Ihlal Insurance was established.

Ihlal Group began to produce Turkey's first national caffeine-free cola under the Kristal Brand.

Ihlal Net, one of the first internet service providers (ISP) in Turkey, was established.

The ground was broken on the Marmara Evleri Housing Project.

MILESTONES



Kuzuluk Kaplıca Evleri (Kuzuluk Thermal Houses), built in Sakarya, opened its doors.

İhlas College admitted its first students.

The shares of İhlas Home Appliances began to be traded on the stock exchange.

İhlas Life Insurance was established.



The ground was broken on the Marmara Evleri Housing Project Phase 2.

The ground was broken on the Armutlu Timeshare Holiday Resort.



KIA distribution rights were transferred to Çelik Motor A.Ş., a company affiliated with the Anadolu Group.

1996

1997

1998

1999

2000

2001

The shares of Kristal Kola A.Ş. began to be traded on the stock exchange.

İhlas Real Estate Investment Trust was established.

Marmara Evleri Housing Project Phase 1 was handed over to its owners.



The shares of İhlas Real Estate Investment Trust began to be traded on the stock exchange.



Marmara Evleri Housing Project Phase 2 was handed over to its owners.





İhlas Yayın Holding (İhlas Media Holding Inc.) was established.

2003

2004

İhlas Life Insurance transferred its portfolio to Ankara Emeklilik A.Ş.
The Armutlu Timeshare Holiday Resort opened its doors.
TGRT News TV began broadcasting.



2006

İhlas Insurance was sold to HDI International Holding (HINT).

TGRT TV shares were sold to News Netherlands B.V. and Mr. Ahmet Erteğün.

The Bizim Evler Housing Project Phase 1 construction commenced.



2008

The Armutlu Timeshare Holiday Resort received the Blue Flag award.



2010

İhlas Gazetecilik

İhlas İnşaat Holding A.Ş. (İhlas Construction Holding) was established.

The shares of İhlas Newspaper (Türkiye Newspaper) began to be traded on the stock exchange.

The shares of İhlas Media Holding began to be traded on the stock exchange.

2011

Construction began for the Kristal Şehir Housing Project consisting of 5,000 houses in Beylikdüzü.



MILESTONES



The Bizim Evler Housing Project Phase 5 commenced in Ispartakule.

Construction began on Marmara Evleri Housing Project Phase 3 in Beylikdüzü.



TGRT News, TGRT Documentary and TGRT FM revised their logos along with their schedules.

The shares pertaining to Kristal Gıda Dağıtım Pazarlama San. Tic. A.Ş., and Kristal Kola ve Meşrubat San. ve Tic. A.Ş. were sold.

The Bizim Evler Housing Project Phase 5 was completed, and the houses were handed over to their owners.

158 street stores built within the scope of the Bizim Evler Housing Project Phase 6 were put up for sale.

Construction on the Bizim Evler Housing Project Phase 7 commenced.

İhlas Home Appliances won the “Best Design” award at Design Turkey Industrial Design Awards with its Cebilon brand.

2012

2013

2014

2015

İhlas Home Appliances won the Red Dot Design Award in Europe.

Türkiye Newspaper was revamped in terms of logo, content and page setting.

The Bizim Evler Housing Project Phase 6 commenced.



Sales and construction of the Bizim Evler Housing Project Phase 7 began.

The Türkiye Newspaper Hospital started to admit patients in radiology, pediatric cardiology, pediatric neurology, rheumatology, and algology departments and established an International Patient Relations unit, investing in health tourism. The Hospital created health packages designed for patients from Europe, Asia and Africa.

İhlas Media Holding received three awards at the ‘The Bests of the Year’ ceremony, held during the 28th International Consumer Summit, organized on March 15th, World Consumer Rights Day.

İhlas House Appliances received the GOOD DESIGN Award thanks to its Cebilon Unique, Aura Cleanmax SPLUS and Aura Roboclean SPLUS brands.



Gökkuşuğu (Rainbow) phase of the Bizim Evler Housing Project Phase 6 was completed and the houses were delivered to their owners in May 2016.

Metro phase of the Bizim Evler Housing Project Phase 6 was completed and the houses were delivered to their owners in August 2016.

The Aura Cleanmax and Aura Roboclean Cleaning and Health Robots designed

by İhlas House Appliances garnered the iF Design Award 2016, one of the most prestigious awards throughout the world in its field. According to the results of the 2016 İnovaLİG Survey by the Turkish Exporters' Assembly (TİM), İhlas House Appliances ranked 25th among a total of 761 companies in the category of "Innovation Organization and Culture."

İhlas News Agency (İHA) partnered with Fuji Television, one of Japan's most well-known media corporations.



Panorama Phase of the Armutlu Holiday Resort was handed over to its owners.

TGRT Haber became the TV channel with the most increased ratings in 2018.

İhlas News Agency's logo was revamped.



2016

2017

2018

İhlas Media received the Contributors to Africa Award.

7th Phase of the Bizim Evler Housing Project was handed over to its owners in September 2017.

TGRT Haber received the "Best News Channel of the Year" award at the 2nd Social Awareness Awards.

The title of İhlas Mining Company was changed as "İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş." (İhlas Real Estate Project Development and Trade Inc.)

Bizim Evler Güzelce housing project started.

İhlas Holding signed a partnership agreement with China Silk Road Group within the scope of the "One Belt One Road" Project of China.

İhlas China Silk Road Group Financial Consultancy, which is planned to provide national and international financial investment, energy and strategic management consultancy services was founded.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

BELIEVING THAT TURKEY'S ECONOMY WILL BECOME A NEW "SUCCESS STORY" WITH THE NEW ECONOMIC PLAN (NEP), İHLAS HOLDING WILL CONTINUE TO PURSUE ITS GROWTH TARGETS WITH DETERMINATION.



3.6%

GLOBAL GROWTH
RATE IN 2018

Dear Stakeholders,

2018 has been a period of significant changes in terms of all market players in the global and domestic economy. The most prominent developments hindering the globalization process were the trade wars between the USA and China and the failure of the British Parliament to approve the Brexit process, of which possible consequences have been long discussed in the European Union. Besides, the meeting of the World Economic Forum under the theme of Globalization 4.0: Shaping a New Global Architecture in the Age of the Fourth Industrial Revolution, within the

scope of which the players shaping the world economy came together in Davos, Switzerland, has shown that there is a search for a direction in the light of new technologies in terms of the globalization process, which has significantly increased the volume of international trade.

GLOBAL ECONOMY HAS GROWN MAINTAINING A HORIZONTAL TREND...

According to IMF indicators, the global economy showed a performance close to the previous year, growing by 3.6% as of year-end 2018. The IMF predicts that the global economy will maintain its horizontal growth trend in the upcoming period due to the increase in geopolitical risks and the possible formation of new trade blocs. On the other hand, the expectation that the Central Bank of the United States (FED) will loosen its monetary tightening policy, which has been in effect since 2015 causing liquidity shortages and interest rate hikes in international markets, is seen as the main development that will stimulate international markets.

A NEW GROWTH MODEL FOR TURKEY: NEW ECONOMIC PLAN (NEP)

Having started the first quarter of 2018 with a strong growth performance, the Turkish economy faced some problems such as the depreciation of TRY against foreign currencies during August, the deterioration in product and service pricing and an increase in consumer inflation. In the face of these developments, which have shaken

¹ Source: IMF

the long-standing environment of confidence in the Turkish economy, the Government has retained confidence in the markets by announcing the New Economic Program (NEP). Targeting a balanced growth model based on the reduction of the current deficit and the fight against inflation, the NEP has gained the confidence of market players within a short period of time and achieved a balance in the real economy. In line with our government's macro-economic objectives, the Central Bank of the Republic of Turkey (CBRT) increased interest rates. However, the depreciation of TRY against foreign currencies slowed down significantly. In line with our government's goal of fighting inflation and reducing the current account deficit, the Turkish economy displayed a balanced performance and grew by 2.6% in 2018.

OUR PRIMARY TARGET IS INCREASING EXPORTS AND NATIONAL SAVINGS...

The recession in the construction sector, one of the key sectors that shape the growth of Turkey's economy, rendered the NEP objective of increasing the exports with the added value-oriented products a priority. Within this framework, I would like to state with pride and happiness that İhlas Ev Aletleri, which exports to 63 countries throughout the world, will continue its strong support to the Turkish economy in line with the NEP objectives.

Despite emerging risks in the global economy in recent years, Turkey has successfully completed projects of great importance for our sustainable development thanks to its economy built on strong foundations. In this respect, I wish that the opening of Istanbul Airport, which is expected to accelerate the rise of our country in the global aviation sector, will be beneficial for our country.

OUR EXPERIENCE GUIDES US...

Again, in 2018 operating period, which has been a challenging year in every aspect; İhlas Holding, one of the well-established private sector firms of

AS OF YEAR-END 2018, THE TOTAL ASSETS OF THE İHLAS HOLDING IS WORTH TRY 2.48 BILLION.

Turkey, continued to add value to the Turkish economy in its fields of activity. Operating in various fields ranging from construction to marketing, from media to health and education, as of year-end 2018, the Holding's total assets amounted to TRY 2.48 billion, while its shareholders' equity stood at TRY 814 million. Our Holding is operating with an approach focused on the "benefit of humanity" since its establishment. With this approach, we managed to add value to our shareholders' savings by effectively managing risks and opportunities with our experienced human resources consisting of 2,589 employees as of year-end 2018. Constituting one of the best examples of the hard work and determination of Turkish people with its successes it achieved throughout the years, our Holding has continued its unconditional support to the Turkish economy in every field in 2018, at a time when being "domestic" and "national" gained more importance.

WE KEEP EXPANDING IN THE CONSTRUCTION SECTOR WITH BİZİMEVLER HOUSING PROJECT PHASE 8.

Considering construction as one of the fundamental development areas, İhlas Holding started the preliminary sales and construction processes of the 8th phase of Bizimevler Housing Project in 2018. In this way, the Holding demonstrated its determination to grow in this area. We are certain that the Bizim Evler Housing Project Phase 8 in Istanbul/Avcılar, Ispartakule comprising the construction of a total of 278 independent sections including 247 residential and 31 commercial units will reach high sales figures in a short period of time and contribute significantly to our consolidated turnover providing us motivation to develop more projects with a larger scale in the construction sector in the long term.

İHLAS BRANDED HOUSEHOLD APPLIANCES ARE ALL AROUND THE WORLD.

The export star of İhlas Holding, İhlas Home Appliances increased the number of its export countries from 57 to 63 in 2018, successfully representing Turkey all around the world. Focusing

2,589

TOTAL NUMBER OF İHLAS HOLDING EMPLOYEES

² Source: TÜİK (Turkish Statistical Institute)

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

IN 2018, İHLAS HOME APPLIANCES INCREASED THE NUMBER OF COUNTRIES IT EXPORTS FROM 57 TO 63 AND CONTINUED TO SUCCESSFULLY REPRESENT OUR COUNTRY THROUGHOUT THE WORLD.

125

BED CAPACITY OF TÜRKİYE NEWSPAPER HOSPITAL

IN 2018 OPERATING PERIOD, İHLAS NEWS AGENCY (İHA) RENEWED ITS CORPORATE IDENTITY AS WELL AS ITS LOGO.

solely on development, İhlas Home Appliances continued its product development efforts through its TÜBİTAK-approved R&D Center and reinforced our strong vision and competence in the field of innovation in the eyes of our stakeholders.

THE RIGHT ADDRESS FOR TRUST AND DEVELOPMENT IN THE MEDIA SECTOR...

In 2018 operating period, İhlas Holding was the right address for trust and corporate development in the media sector where it has a deep-rooted experience and expertise. Increasing its ratings by 60% compared to the previous year, TGRT, the address for fast and accurate television journalism, became the TV channel which increased its ratings the most. Meanwhile, Türkiye Newspaper continued to increase its circulation steadily without being affected by the problems in paper supply within the sector thanks to its strong distribution network and printing infrastructure.

İhlas News Agency (İHA), which is the leader in its sector by far, revamped its corporate identity in 2018 and started to use a new logo combining the excitement of journalism with its 25 years of experience. Thanks to the dynamism provided by the new logo, İHA will continue to be among the most important sources of news in Turkey and in the world in the coming period.

A TOUCH OF İHLAS IN EDUCATION AND HEALTH

With its corporate social responsibility approach, İhlas Holding continued to achieve significant success in the

field of education and health in 2018. Türkiye Newspaper Hospital, which started its operations 28 years ago with the slogan "A Hospital Like Home," increased its total bed capacity to 125 with the introduction of the additional building built in accordance with the smart building approach. Equipped with new health technologies for treatment processes, our additional building reinforced our hospital's strong reputation in the health sector. Meanwhile, a student of the İhlas Educational Institutions made us proud by ranking first in the Higher Education Institutions Exam (YKS) in 2018. In addition, two students ranked 12th and 50th in the same exam and our school managed to list a total of 9 students in the first 100 successful students.

WE WILL CONTINUE TO GROW WITH OUR "FOR THE BENEFIT OF HUMANITY" APPROACH...

Representing İhlas Holding, I would like to thank all of our stakeholders for their unconditional support in our activities during 2018, which we carried out on the basis of "For the Benefit of Humanity" approach. In the coming period, as one of Turkey's deep-rooted holdings, we will continue to operate with social responsibility in line with our corporate identity respecting the national and moral values.

Respectfully Yours,

AHMET MÜCAHİD ÖREN
Chairman of the Board of Directors







CONSTRUCTION AND TIMESHARE MANAGEMENT

ALONG WITH MEDIA,
CONSTRUCTION AND TIMESHARE
MANAGEMENT ARE THE SECTORS
IN WHICH İHLAS HOLDİNG HAS
THE MOST EXPERIENCE AND
THEY ARE THE DRIVING FORCE
OF THE GROUP.

23,067

TOTAL NUMBER OF RESIDENTIAL
AND COMMERCIAL UNITS DESIGNED
BY İHLAS CONSTRUCTION GROUP

İHLAS İNŞAAT HOLDİNG A.Ş. (İHLAS CONSTRUCTION GROUP)

İHLAS GROUP PLANS ALL OF ITS PROJECTS SO THAT THEY MEET ALL SOCIAL NEEDS OF THE RESIDENTS WITH ALL COMFORTS OF A METROPOLIS, YET AWAY FROM ALL THE CHALLENGES OF CROWDED URBAN LIFE.



14,813

TOTAL NUMBER
OF RESIDENCES
BUILT BY İHLAS
CONSTRUCTION
GROUP

Having completed prestigious housing projects since 1989, İhlas Group has constructed 14,813 residences within the scope of the completed and ongoing projects. İhlas Construction Group builds living quarters of high standards on lands which it purchased or on which it engaged in revenue sharing in exchange for land sales.

A PREFERRED BRAND

İhlas Group develops each project to deliver to customers not just a housing unit, but the hearth that nurtures love and friendship. İhlas Group has become a preferred brand by distinguishing among its competitors, thanks to its projects with rich green fields and generous landscaping arrangements.

Since its establishment, İhlas Group has carried out many successful construction projects such as business centers, street shops, educational complexes, hospitals, printing houses, radio and television studios, villas, timeshare and holiday resorts and in particular, mass housing complexes.

All projects are designed so that the residents can avoid the hustle of city life, yet enjoy the comfort of an urban lifestyle while meeting their social needs.

PRODUCTION CAPACITY GROWING WITH SYNERGY

On January 29, 2010, for the purpose of gathering all of the construction companies under a single roof, an umbrella company was established with the title of İhlas Construction Holding (İhlas İnşaat Holding A.Ş.). Under this umbrella, İhlas Construction Holding comprises all construction companies, including İhlas İnşaat Proje Taahhüt Turizm A.Ş., İhlas Yapı Turizm ve Sağlık A.Ş., Armutlu Tatil ve Turizm İşletmeleri A.Ş. and Kuzuluk Kaplıca İnşaat Turizm Sağlık ve Petrol Ürünleri Ticaret A.Ş.

İHLAS İNŞAAT HOLDİNG A.Ş. SHAREHOLDING STRUCTURE

Shareholders	Share Ratio (%)	Share Amount (TRY)
İhlas Holding A.Ş.	95.00	66,500,000.00
Ahmet Mücahid Ören	5.00	3,500,000.00
Total	100.00	70,000,000.00



COMPLETED PROJECTS

A TOTAL OF 19,393 UNITS WAS BUILT BY İHLAS CONSTRUCTION GROUP, INCLUDING A TOTAL OF 14,813 HOUSING UNITS, 944 VILLAS, 480 COMMERCIAL UNITS AND 3,156 TIMESHARE FLATS.



HOUSING PROJECTS

Bizim Evler Housing Project Phase 7 – 6 (Gökkuşuğu/Metro Phases) – 5 – 4 – 3 – 2 – 1

Marmara Evleri Housing Project Phase 3 – 2 – 1

Güzelşehir Villas

Marmara Villas

İhlas Yuva Evleri Housing Project

Kuzuluk Thermal Houses

Armutlu Timeshare Holiday Resort

To date, İhlas Construction Group has built a total of 3,156 buildings, including İhlas Yuva Evleri Housing Project (996 residences), Marmara Evleri Housing Project Phase 1 (2,856 residences), Marmara Evleri Housing Project Phase 2 (2,186 residences), Marmara Evleri Housing Project Phase 3 (396 residences, 38 commercial units), Bizim Evler Housing Project Phase 1 (720 residences, 3 commercial units), Bizim Evler Housing Project Phase 2 (522 residences, 9 commercial units), Bizim Evler Housing Project Phase 3 (680 residences, 1 commercial unit), Bizim Evler Housing Project Phase 4 (762 residences, 100 commercial units), Bizim Evler Housing Project Phase 5 (710 residences), Bizim Evler Housing Project Phase 6 Gökkuşığı Phase (1,207 residences, 113 commercial units), Bizim Evler Housing Project Phase 6 Metro Phase (454 residences, 45 commercial units), Bizim Evler Housing Project Phase 7 (532 residences, 48 commercial units), Kristalşehir Project (2,022 residences, 40 commercial units), Güzelşehir Villas Project (810 villas, 83 commercial units), Marmara Villas Project (134 villas), Kuzuluk Thermal Houses Project (1,470 Timeshare Units), Armutlu Timeshare Holiday Resort Project (1,686 Timeshare Units) and a total of 14,813 residences, 944 villas, 480 commercial units and 19,393 timeshare flats. 13,309 of these units were built by our subsidiary, İhlas Construction.

İhlas Construction Group delivers top-quality living quarters over plots of land either purchased or acquired through flat-for-land agreements.

BİZİM EVLER HOUSING PROJECT PHASE 7

The project, which was developed in Istanbul Avcılar, İspartakule, was built on a 38,000 m² land on the basis of flat for land revenue sharing model. The project, which was delivered in September 2017, consists of 532 flats and 48 commercial units.

BİZİM EVLER HOUSING PROJECT PHASE 6/GÖKKUŞAĞI PHASE

Located in Istanbul Avcılar, İspartakule, this project was developed on the basis of flat for land revenue



**İHLAS
CONSTRUCTION
GROUP DELIVERS
TOP-QUALITY
LIVING QUARTERS
OVER PLOTS OF
LAND EITHER
PURCHASED
OR ACQUIRED
THROUGH
FLAT-FOR-LAND
AGREEMENTS.**

19,393

**TOTAL NUMBER
OF RESIDENTIAL
AND COMMERCIAL
UNITS BUILT**

sharing model. It was built by İhlas Construction, Tourism and Health (İhlas Yapı Turizm ve Sağlık A.Ş.) on an area of 90,914 square meters. Consisting of 1,207 flats and 113 commercial units, the project was delivered to the owners in May 2016.

BİZİM EVLER HOUSING PROJECT PHASE 6/METRO PHASE

Within the scope of the project constructed on an area of 28,469 square meters of İhlas Construction, Tourism and Health (İhlas Yapı Turizm ve Sağlık A.Ş.) in İspartakule, Avcılar-Istanbul, 454 flats and 45 commercial units were handed over to their owners. Bizim Evler Housing Project Phase 6/Metro Phase has been completed in August 2016.

BİZİM EVLER HOUSING PROJECT PHASE 5

Located in Istanbul Avcılar, İspartakule, this project was developed on the basis of flat for land revenue sharing model and it was built by İhlas Construction, Tourism and Health (İhlas Yapı Turizm ve Sağlık A.Ş.). Construction of 710 flats on an area of 100,789 square meters was completed

COMPLETED PROJECTS

İHLAS GROUP PLANS ALL OF ITS PROJECTS SO THAT THEY MEET ALL SOCIAL NEEDS OF THE RESIDENTS WITH ALL COMFORTS OF A METROPOLIS, YET AWAY FROM ALL THE CHALLENGES OF CROWDED URBAN LIFE.



5,572

THE NUMBER OF HOUSES BUILT WITHIN THE SCOPE OF THE MARMARA EVLERİ HOUSING PROJECT

in July 2014, six months earlier than planned and the flats were handed over to their owners.

MARMARA EVLERİ HOUSING PROJECT PHASE 3

Marmara Evleri Housing Project Phase 3 completed by İhlas Construction, Tourism and Health (İhlas Yapı Turizm ve Sağlık A.Ş.), comprises a total of 75,233 m² residential and 5,895 m² of commercial unit construction area in Yakuplu, Beylikdüzü - Istanbul. The project, consisting of 396 flats and 38 commercial units, was completed and handed over to the owners in October 2013.

BİZİM EVLER HOUSING PROJECT PHASE 4

Upon the award of the tender by the Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş., the Bizim Evler Housing Project Phase 4 was constructed by İhlas Holding A.Ş. – İhlas Yapı Turizm ve Sağlık A.Ş. Joint Venture in Istanbul Avcılar, İspartakule on the basis of the "Flat for Land Revenue Sharing" model. The project, consisting of 762 flats and 100 commercial units, was completed by the end of December 2012 and opened for settlement, eight months prior to the planned date. The construction of the commercial units was also completed in 2013 and all of these units were handed over to their owners.

BİZİM EVLER HOUSING PROJECT PHASE 3

Upon the award of the tender by the Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş., the Bizim Evler Housing Project Phase 3 was built by İhlas Holding A.Ş. – İhlas Yapı Turizm ve Sağlık A.Ş. Joint Venture on the basis of the "Flat for Land Revenue Sharing" model in Istanbul Avcılar, İspartakule, over an area of 85,700 m². The project, including 680 flats, a commercial unit, a shopping center, outdoor sports facilities, a swimming pool and other recreational areas, was completed in December 2011.

BİZİM EVLER HOUSING PROJECT PHASE 2

Constructed by İhlas Holding A.Ş. – İhlas Yapı Turizm ve Sağlık A.Ş. Joint Venture, the Bizim Evler Housing Project Phase 2 was publicly tendered by Emlak Konut Gayrimenkul Yatırım

Ortaklığı A.Ş. on the basis of “Flat for Land Revenue Sharing” model. The project, built in Istanbul Avclar, Ispartakule (Bahçeşehir), features 522 flats, nine stores, a mosque, open-air sports areas and other recreational spaces. Bizim Evler Housing Project Phase 2 was opened for settlement in December 2010.

BİZİM EVLER HOUSING PROJECT PHASE 1

Built by İhlas Holding in collaboration with TOKİ (The Housing Development Administration of Turkey), the Bizim Evler Housing Project Phase 1 consists of 720 flats and three commercial units. Located in the most beautiful section of Bahçeşehir, the project was opened for settlement in July 2009.

GÜZELŞEHİR VILLAS

Güzelşehir is located at the intersection of Kumburgaz and Güzelce, along the D-100 (E-5) highway (for one kilometer), and on a hill with uninterrupted sea views. The project carried out by İhlas Holding under the name of Güzelce Villas consists of 675 villas and 83 commercial units on a 249,169 m² land. The units were completed and handed over to their owners in 2005. The 2nd phase of the project, which consists of 135 villas and one school building, was completed by İhlas Pazarlama A.Ş. (“İhlas Marketing”) in 2010.

MARMARA EVLERİ HOUSING PROJECT PHASE 2

The project comprising 2,186 flats was built on a land of 170 thousand square meters, with a total construction area of 256,630 square meters. After the completion of all environmental arrangements, social facilities and infrastructures, the project was finished in August 2001 and opened for settlement.

MARMARA EVLERİ HOUSING PROJECT PHASE 1

Marmara Evleri Housing Project, the largest and most comprehensive housing project in the region, is situated on a 700,000 square



GÜZELCE VILLAS OF İHLAS HOLDİNG CONSISTS OF 810 VILLAS AND 83 COMMERCIAL UNITS ON A 249,169 M² LAND.

6,171

THE NUMBER OF HOUSES BUILT WITHIN THE SCOPE OF BİZİM EVLER HOUSING PROJECT

meters of land within the historical Reşitpaşa Farm, viewing Ambarlı Bay in Beylikdüzü, Istanbul. The project consists of 2,856 flats and a shopping center, an elementary school and social facilities on a plot of 27,500 square meters, The project was completed and handed over to its owners in 1997.

MARMARA VILLAS

Marmara Villas are located on the historic Reşitpaşa farm area in Beylikdüzü. The construction site covers 200,000 m² of land and consists of 134 villas. The project was completed and handed over to the owners in 1998.

İHLAS YUVA HOUSES

İhlas Yuva Houses, which began to be constructed in 1990 and handed over to their new owners within just two years, was the first housing project undertaken by İhlas Holding comprising 996 flats on a 44,000 m² land.

COMPLETED PROJECTS

THE PROJECTS THAT THE CONSTRUCTION GROUP HAS COMPLETED ASIDE FROM HOUSING INCLUDE THE BAHÇELIEVLER EDUCATION CAMPUS OF İHLAS EDUCATIONAL INSTITUTIONS, THE MARMARA HOUSES TRAINING CAMPUS AND THE İHLAS HOLDİNG HEADQUARTERS BUILDING.



OTHER PROJECTS

İhlas Holding Headquarters
Bahçelievler Education Campus
Marmara Evleri Housing Project Education Campus



İhlas Holding Education Group's Bahçelievler Education Campus and Marmara Evleri Housing Project Education Campus, as well as İhlas Holding Headquarters Building, are among the non-residential projects realized by the Construction Group.

İHLAS HOLDİNG HEADQUARTERS BUILDING

Constructed on 16,517 square meters of land, İhlas Holding Headquarters Building has a covered area of 73,000 square meters including a parking garage, a conference hall for 500 people and a cafeteria.

BAHÇELİEVLER EDUCATION CAMPUS

Situated on 30,000 square meters of covered area, Bahçelievler Education Campus has 78 classrooms, a dormitory for 600 students, a gymnasium, a conference hall for 450 people and a cafeteria capable of seating 750 people, as well as two medium-sized football pitches. The campus was completed and put into service in 1997.

MARMARA EVLERİ HOUSING PROJECT EDUCATION CAMPUS ENCOMPASSES 96 CLASSROOMS, A CONFERENCE HALL FOR 450 PEOPLE, AND A DINING HALL FOR 750 PEOPLE ON A COVERED AREA OF 17,500 SQUARE METERS.

MARMARA EVLERİ EDUCATION CAMPUS

Marmara Evleri Education Campus is built on a covered area of 17,500 m² and comprises 96 classrooms, a conference room for 450 people and a dining room for 750 people. The campus was completed and put into service in 1996.

73

THOUSAND M² COVERED AREA OF THE İHLAS HOLDİNG HEADQUARTERS BUILDING

ONGOING PROJECTS

THE COMPANIES UNDER İHLAS CONSTRUCTION HOLDING, CONTINUE TO CARRY OUT THE CONSTRUCTION OF KRİSTALŞEHİR, BİZİM EVLER HOUSING PROJECT PHASE 8, BİZİM EVLER HOUSING PROJECT GÜZELCE PHASE AND MARMARA EVLERİ HOUSING PROJECT PHASE 4.



ONGOING PROJECTS

Kristalşehir

Bizim Evler Housing Project Güzelce Phase

Marmara Evleri Housing Project Phase 4

Bizim Evler Housing Project Phase 8

Within the scope of the Kristalşehir, Bizim Evler Housing Project Phase 8, Bizim Evler Housing Project Güzelce Phase and Marmara Evleri Housing Project Phase 4 carried out by the companies under the umbrella of İhlas Construction Holding, construction of 3,674 residential and commercial units are ongoing.

KRİSTALŞEHİR

Kristal Şehir Housing Project was developed on a 142.797 square meters land in Esenyurt, Istanbul, by İhlas Construction, Project, Contracting, Tourism and Commerce, one of the Group companies. It comprises 18 blocks, 4,655 residential units, 82 commercial units, and social facilities. Having a total area of 638,454.48 m², and a construction area of 770,142 m², the first phase of the project was completed as of December 31, 2015, and 2,022 flats and 40 stores in the eight blocks have been delivered to their owners. A total of 770 flats in 3 blocks with nos. 9-10-11 were handed over to their owners in 2018, within the scope of the 2nd phase which encompasses the remaining 2.633 residential and 42 commercial units of the project. Block nos. 12-13-14 will be ready in March 2019, while block nos. 15 and 16 will be ready in June 2019. Down payments for 3,044 flats, corresponding to 95% of the total flats, have been paid. The invoicing process of the flats sold between blocks 1 and 11 was completed as of 30/11/2018 and the relevant invoices were recorded. The invoicing of the remaining flats is projected to be done with the delivery of the flats after the completion of the independent sections.

BİZİM EVLER HOUSING PROJECT GÜZELCE PHASE

The project, based on the "Land for Flat Revenue Sharing" sales model, will be constructed jointly by İhlas Construction, Tourism and Health and İhlas Marketing on a land of 92,293 square meters situated

KRİSTALŞEHİR HOUSING PROJECT IS BEING DEVELOPED BY İHLAS İNŞAAT PROJE TAAHHÜT TURİZM VE TİCARET A.Ş., ONE OF THE GROUP COMPANIES, ON A LAND OF 142,797 M² IN ESENYURT, İSTANBUL.

3,674

TOTAL NUMBER OF ONGOING CONSTRUCTIONS OF RESIDENTIAL AND COMMERCIAL UNITS OF İHLAS İNŞAAT HOLDİNG A.Ş.

in the Güzelce neighborhood in Istanbul's Büyükçekmece district. The construction and sale of the project, which will consist of 709 residential and 111 commercial units, was started in 2017 and it is planned to be delivered in December 2020.

MARMARA EVLERİ HOUSING PROJECT PHASE 4

In order to build residential and commercial units and to make their sales and marketing, a construction and flat for land revenue sharing contract was signed in respect of the plot of 31,309 square meters with block no 482, parcel no. 8 and the plot of 32,477.46 square meters with block no.484, parcel no. 17 located in Yakuplu location in Beylikdüzü, Istanbul owned by Kiler Gayrimenkul Yatırım Ortaklığı A.Ş. and individual landowners as well as the plot of İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. of 1,430 square meters with block no. 484 parcel no. 17. The construction for this project started in 2017. The project will have two phases, namely the south phase (block no. 482, parcel no. 8), and the north phase (block no. 484, parcel no. 17). The south phase is planned to be completed in 36 months, and the north phase in 40 months. 1,321 residential and 64 commercial units will be built within the scope of the project.

BİZİM EVLER HOUSING PROJECT PHASE 8

A flat for land revenue sharing agreement was signed in order to build residential and commercial units and carry out their sales and marketing on the plot of 19,739.44 square meters with block no. 653 and parcel no. 1 in Firuzköy neighborhood in Beylikdüzü, Istanbul. Bizim Evler Housing Project Phase 8, which had been undertaken by İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. launched in January 2018 and is planned to be completed in 36 months with a total of 236 residential and 29 commercial units.

İHLAS GAYRİMENKUL PROJE GELİŞTİRME VE TİCARET A.Ş. (İHLAS REAL ESTATE PROJECT DEVELOPMENT AND TRADE)

ALONGSIDE THE CONSTRUCTION AND MARKETING SECTORS IN WHICH İHLAS GROUP HAS BEEN OPERATING FOR MANY YEARS, İHLAS REAL ESTATE ALSO OPERATES IN THE ENERGY SECTOR.



236

TOTAL NUMBER
OF FLATS IN BİZİM
EVLER PROJECT
PHASE 8

Established on 09/05/1985, the main field of activity of the company was mining until 2017. However, the company failed to reach the desired level in the sector due to the major work accidents in the mining sector in recent years, extended bureaucratic procedures, problems in the implementation of policies set in mining, the issues experienced in compliance with the Mining Law and the relevant regulations, inability to obtain qualified personnel, infrastructural shortcomings in mining

regions and the fluctuating price movements in commodity markets. For this reason, the Company expanded its field of activity, encompassing construction and marketing activities as well as the energy sector, in which İhlas Group is active for long years, in its main areas of activity to increase its profitability, to conduct its activities more effectively and avoid any loss of rights of its investors.

All kinds of construction, contracting and engineering activities have been added to the company's fields of activity in accordance with the decision taken at the Shareholders' Ordinary General Assembly on 14/04/2017. As a result, the title of the company has been changed as İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. (İhlas Real Estate Project Development and Trade Inc.).

The Company has transferred the operating right of the mining license of 1 mine in Salihli, Manisa to its affiliate "İhlas Madencilik Enerji ve Ticaret A.Ş." through a royalty contract and transferred the mining license with an operating right of a mine in Çanakkale Merkez, Çanakkale and 4 mining licenses pending operating rights in Bayındır, İzmir to the CVK Maden İşletmeleri San. ve Tic. A.Ş.

SHAREHOLDING STRUCTURE

The Company's shareholding structure is as follows:*

Name/Title	Share Ratio (%)	Share Amount (TRY)
İhlas Ev Aletleri İmalat Sanayi ve Tic. A.Ş.	10.57	32,758,402.06
İhlas Holding A.Ş.	9.75	35,510,827.25
Public float	79.68	267,730,770.69
Total	100.00	336,000,000

As of January 2, 2018, İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. has been quoted on the BIST 100 index.

Within the scope of the Bizim Evler Housing Project Phase 8 and İhlas Marmara Evleri Joint Venture Project, İhlas Gayrimenkul continues its construction works for 1,650 residential and commercial units.

Within the scope of the Bizim Evler Housing Project Phase 8 and İhlas Marmara Evleri Joint Venture Project, İhlas Gayrimenkul continues its construction works for 1,650 residential and commercial units.

a) Bizim Evler Housing Project Phase 8:

A flat for land revenue sharing agreement was signed in order to build residential and commercial units and carry out their sales and marketing on the plot of 19,739.44 square meters with block no. 653 and parcel no. 1 in Firuzköy neighborhood in Beylikdüzü, İstanbul. Bizim Evler Housing Project Phase 8, which had been launched in January 2018, is planned to be completed in 36 months with 236 residential and 29 commercial units.

b) İhlas Marmara Evleri Housing

Project Phase 4: In order to build residential and commercial units and to make their sales and marketing, a

construction and flat for land revenue sharing contract was signed in respect of the plot of İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. of 1,430 square meters with block no. 484 parcel no. 17 as well as the plot of 31,309 square meters with block no 482, parcel no. 8 and the plot of 32,477.46 square meters with block no.484, parcel no. 17 located in Yakuplu location in Beylikdüzü, İstanbul owned by Kiler Gayrimenkul Yatırım Ortaklığı A.Ş. and other individual landowners. At the end of December 2018, 29% of the project's north phase (block no. 484, parcel no. 18), which had been started in 2017, was completed. Within the scope of the north phase of the project, down payments were received for 165 residential and 7 commercial units, corresponding to 25% of the total independent sections. Upon the completion of the project, these units will be handed over to their owners and the invoicing will be completed. The North Phase (block no. 484, parcel no. 18) is planned to be completed in 36 months and the South Phase in 40 months. 1,321 residential and 64 commercial units will be built within the scope of the project.

* In the Board of Directors meeting dated 27/12/2018, no. 2018/49 it was decided that the issued capital be increased in cash (paid) by 140 per cent from TRY 140,000,000 to TRY 336,000,000 within the registered capital ceiling of TRY 500,000,000. The Prospectus on capital increase was approved at the Board of Directors meeting dated 14/02/2019 numbered 10/240. During the process of the capital increase, shareholders exercised the right to acquire new shares between 15/02/2019 and 01/03/2019. After the shareholders exercised their rights to acquire new shares, the remaining shares with the nominal value of TRY 38,407,791.522 were offered for sale in the primary market of the Borsa İstanbul A.Ş. between 07/03/2019 and 08/03/2019 and all of them were sold as of 08/03/2019 and the issued capital amounted to TRY 336,000,000.

AS OF JANUARY
2, 2018, İHLAS
GAYRİMENKUL
PROJE
GELİŞTİRME VE
TİCARET A.Ş. HAS
BEEN QUOTED
ON THE BIST 100
INDEX.

1,650
NUMBER OF
THE ONGOING
RESIDENTIAL AND
COMMERCIAL UNIT
CONSTRUCTIONS
CARRIED OUT
BY İHLAS REAL
ESTATE

KUZULUK KAPLICA İNŞAAT TURİZM SAĞLIK VE PETROL ÜRÜNLERİ TİCARET A.Ş. (KUZULUK THERMAL HOUSES)

5,000

TOTAL CAPACITY
OF THE HOLIDAY
RESORT

KUZULUK THERMAL
HOUSES MEETS
THE HEALTH AND
VACATION NEEDS
OF FAMILIES AT
AFFORDABLE PRICES
AND HIGH-QUALITY
STANDARDS.

The first thermal timeshare property project in Turkey, Kuzuluk Thermal Houses are situated in a 200,000 m² plot surrounded by forests in the Kuzuluk region of Akyazi, Sakarya. In the first phase of the project, which consists of a total of 1,470 flats and 32,340 timeshare units, 1,120 flats (in 20 blocks) were built and their title deeds were handed over to the owners in 1996.

Construction of the second phase of the project, which consists of 350 flats and 7,700 timeshare units, begun in the same region in 1997, and the units were handed over to their owners in 2000. The resort has a total capacity of between 4,000 and 5,000 guests.

Offering thermal vacations on the basis of timeshare system, a first of its kind in the Turkish health sector, the Kuzuluk Thermal Houses meet the health and vacation needs of families at affordable prices and high-quality standards.

The flats have been designed as self-contained units to provide comfortable accommodation and meet all the needs of a family of four. In addition to cold and hot water, thermal spring water is also available at the flats, all of which come fully furnished.

A PRIVILEGED AND HEALTHY HOLIDAY EXPERIENCE

Kuzuluk Thermal Houses feature thermal water and pools, an artificial turf football field, a basketball court, hiking and biking trails, playgrounds, outdoor fitness equipment, restaurants and an entertainment center, offering its guests a rich social life and the perfect vacation.

Licensed by the Turkish Ministry of Health, Kuzuluk Thermal Houses offer thermal spring water and other natural elements in bath treatments under the supervision of a physician. Thermal spring water can be used in the treatment of rheumatic diseases, joint injuries, soft tissue disorders, neurological disorders, and also as a complementary treatment for stress disorders, sports injuries, and after brain and nerve surgeries.

The commercial units that serve along with the timeshare units are operated by Kuzuluk Kaplıca İnşaat Turizm Sağlık ve Petrol Ürünleri Tic. A.Ş.

İHLAS KUZULUK THERMAL HOTEL

Located in the same area as Kuzuluk Thermal Houses, İhlas Kuzuluk Thermal Hotel has a total of 65 rooms, including apart and standard rooms and suites, with a 130-bed capacity. The Hotel accommodates all the needs of its guests with two multi-purpose halls (capacities: 90 and 45 people), a restaurant with a capacity of 200 people, a dining hall with a capacity of 150 people, an outdoor dining space with a capacity of 300 people, a children's playroom and a playground, three thermal baths, two massage parlors, a sauna, a sales unit, a hairdresser and a car park.



İhlas
KAPLICA EVLERİ

ARMUTLU TATİL VE TURİZM İŞLETMELERİ A.Ş. (ARMUTLU HOLIDAY RESORT)



THE TIMESHARE UNITS ARE BUILT ON 362 THOUSAND SQUARE METERS OF LAND ON THE SEASIDE AND SURROUNDED BY A FOREST IN THE BOZBURUN REGION OF THE ARMUTLU DISTRICT OF YALOVA.

The Armutlu Holiday Resort, the largest and most comprehensive thermal timeshare resort in Turkey, welcomes guests from all regions of Turkey since 2004. Located in the Bozburun region of the Armutlu district which houses the most beautiful coastal segments of Yalova, the holiday resort offers a unique holiday pleasure with its beach, coast and the forest located just behind it.

The resort is active since 2004 and consists of 11 blocks, each with a sea view, 1,686 flats and 37,092 timeshare units, each with hot spring water.

The second phase of the Armutlu Holiday Resort project, including 450

apart units, 1 thermal cure center and 1 administrative building were completed on a plot of 62,775 square meters on the basis of revenue sharing in late 2017. The units were handed over to their owners in April 2018. As a result of the completion of the second phase, the total number of flats in Armutlu Holiday Resort reached 2,136.

Bringing together the warmth of the spa, the greenery of the forest and the coolness of the Sea of Marmara, Armutlu Holiday Resort offers guests the opportunity to receive treatment in a holiday environment. In addition to this, guests also have access to the nature, sea and qualified social facilities at the same time.

EXPERIENCE COMFORT AND NATURAL BEAUTIES TOGETHER

Armutlu Holiday Resort offers fully equipped flats in different sizes, including 2+1 and 1+1 room suites. Armutlu Holiday Resort features two retractable junior Olympic swimming pools (for men and women), an outdoor swimming pool, an aqua park, saunas, thermal cure centers, massage parlors, a bowling alley, football fields, basketball and volleyball courts, a fitness center, a shopping center, cafeterias, restaurants, and water parks.

Featuring a Mud Therapy Center, a Salt Therapy Room, and a Fish Therapy Center, the Resort also offers its guests complementary therapies.

All commercial and social facilities at the Resort are owned by İhlas Holding A.Ş. Social facilities are operated by Armutlu Tatil ve Turizm İşletmeleri A.Ş.







MEDIA AND COMMUNICATIONS

CLOSELY FOLLOWING DEVELOPMENTS IN THE FIELD OF PRINTED, VISUAL AND DIGITAL MEDIA IN TURKEY, İHLAS MEDIA HOLDING HAS CONTINUED TO INVEST USING NEW BUSINESS MODELS AND INCREASED ITS SECTORAL POSITION EVERY YEAR.

60

NUMBER OF İHA DRONES THROUGHOUT TURKEY

İHLAS YAYIN HOLDİNG A.Ş. (İHLAS MEDIA HOLDING)

İHLAS MEDIA HOLDING HAS BROUGHT TOGETHER
İHLAS GROUP'S SUBSIDIARIES IN THE MEDIA
SECTOR UNDER ONE ROOF.

İHLAS MEDIA HOLDING HAS MADE GREAT DISTANCES IN THE SENSE OF "NEW GENERATION PUBLISHING" WITH INVESTMENTS IN TECHNOLOGY.

Empowered by its long-established past, İhlas Media Holding continues to add to its achievements with its broadcast policy prioritizing national values. The Holding, which has expertise in the media sector, holds numerous brands which are pioneers in their own fields such as Türkiye Newspaper, TGRT Haber, TGRT Belgesel, TGRT FM, and İHA. With its brands identified by objective journalism, the company will continue to reflect the truth only.

Known for keeping abreast of developments in the field of printed, visual and digital media in Turkey, İhlas Media Holding has made great distances in the sense of "new generation publishing" with investments in technology.

İhlas Media Holding was founded in 2003 in order to bring together İhlas Group's subsidiaries in the media sector under one roof. The company was offered to the public in 2010 and its shares are traded in BIST.

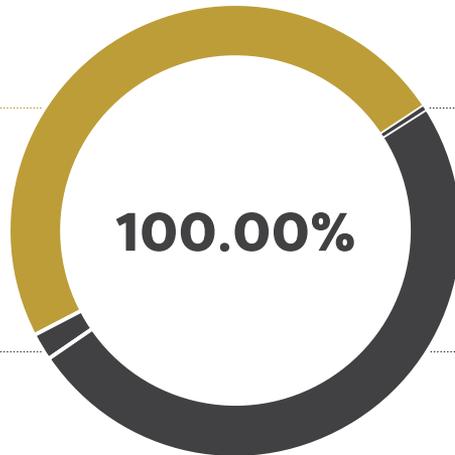
SHAREHOLDING STRUCTURE

İhlas Holding A.Ş.
49.71%

Ayşe Dilvin Ören
0.25%

Ahmet Mücahid Ören
1.85%

Public Float
48.19%





İHLAS GAZETECİLİK A.Ş. (TÜRKİYE NEWSPAPER)

TÜRKİYE NEWSPAPER, WHICH IS FIRMLY BOUND BY THE PRINCIPLES OF PRESS ETHICS AND FUNDAMENTAL RIGHTS AND FREEDOMS, KEEPS ITS READERS' INTEREST ALIVE BY CONSTANTLY RENEWING ITSELF THROUGH WORKS IN RECENT YEARS.



1.5

MILLION
AVERAGE NUMBER
OF WEB SITE
VISITORS (DAILY)

Since its establishment on April 22, 1970, Türkiye Newspaper has been the only press organ that continues its activities without changing its owner and publication policy. Firmly bound by the principles of press ethics and fundamental rights and freedoms, the newspaper keeps its readers' interest alive by constantly renewing itself through works in recent years.

JOURNALISTS EXCELLING IN EXCLUSIVES

At the beginning of 2013, Türkiye Newspaper made significant changes in its content and authors with the

understanding of "New Journalism." Furthermore, it gained a more readable appearance by narrowing the size and refreshing the layout.

The politics columnists of the newspaper feature İsmail Kapan, Yücel Koç, Rahim Er, Fuat Uğur, Batuhan Yaşar, Cem Küçük, Nebi Miş, Kemal İnat, Fatih Selek; history columnists feature Ahmet Şimşirgil, Ekrem Buğra Ekinci; foreign policy columnists feature Çağrı Erhan; society and education columnists feature Halime Gürbüz, Salih Uyan; economy columnists feature Necmettin Batirel; sports columnists feature Öcal Uluç, Kemal Belgin, Sadık Söztutan, Ercan Yıldız, Hasan Sançıçek, Ömer Faruk Ünal; and lastly, automobile columnists feature Ali Çelik. Shaking the grounds with the news of its exclusive news reporters such as İrfan Özfatıra and Osman Sağırılı, Türkiye Newspaper signed names such as Süleyman Özişik, M. Aybike Sinan, Adnan Şahin, Hilmi Demir, Ahmet Dursun, İsa Karakaş and Erdal Dursun, increasing its author capacity and diversity within the newspaper.

In a time when news channels constantly broadcast live stories, and online journalism threatens newspaper circulation figures, Türkiye Newspaper has set up a service that specializes in exclusives, reporting news articles that are shaking the ground.

The newspaper offers its readers a rich content, including the special health section managed by Ziyneti Kocabıyık, a culture and arts section under Murat Öztekin, and the automobile section edited by renowned rally driver Burcu Çetinkaya, in addition to exclusive Sunday interviews. In addition, Türkiye Newspaper has a regularly published TV-Magazine section, as well as daily updated women, family and shopping pages. A technology section is published once a week; and the Media Market, featuring media criticism, also appears weekly.

As a result, the newspaper's correspondents and columnists were recognized with various awards by various professional organizations and sector associations in 2018.

Having a head start in 2019, Türkiye Newspaper continues to distribute the monthly Türkiye Children's Magazine free of charge, which contributed to the bringing up of important state, politics, art and sports people and which has been published without interruption since 1981.

The newspaper's consistent and responsible editorial line receives favorable feedback from its readers. İhlas Holding's pro-democracy stance during the troubled processes that our country has been through recently was highly appreciated by state officials in particular by the Turkish President Recep Tayyip Erdoğan.

HIGH POPULARITY IN DIGITAL ENVIRONMENT:

WWW.TURKIYEGAZETESI.COM.TR
turkiyegazetesi.com.tr was launched as an internet site providing the digital version of the newspaper. However, the online face of Türkiye Newspaper has begun to report the developments in Turkey and around the world to its visitors instantaneously since the 2000s. Therefore, it has become a



IN A TIME WHEN NEWS CHANNELS CONSTANTLY BROADCAST LIVE STORIES, AND ONLINE JOURNALISM THREATENS NEWSPAPER CIRCULATION FIGURES, TÜRKİYE NEWSPAPER HAS SET UP A SERVICE THAT SPECIALIZES IN EXCLUSIVES, REPORTING NEWS ARTICLES THAT ARE SHAPING THE AGENDA.

window that opens up to the news articles through which the visitors can follow all developments. The number of visitors increased day by day and reached an average of 1.5 million per day in 2018. The number of visitors is expected to rise to 2 million in 2019.

Very active in social media, Türkiye Newspaper, had 1.2 million Facebook and 171 thousand Twitter followers as of year-end 2018. Türkiye Newspaper's Facebook page is highly valued for its news articles, columnists and photographs, as well as daily posts and breaking news, and is visited by an average of 10 million people per week. Türkiye Newspaper, which grows rapidly in social networks, aims to reach two million Facebook users and 500 thousand Twitter followers in a short amount of time.

INCREASE IN READERSHIP THANKS TO ONLINE ADS AND PROMOTIONS

Enjoying a steady flow of advertising revenue, Türkiye Newspaper collaborates with Dijital Varlıklar

İHLAS GAZETECİLİK A.Ş. (TÜRKİYE NEWSPAPER)

TURKIYEGAZETESI.COM.TR, THE ONLINE FACE OF TÜRKİYE NEWSPAPER, BEGUN TO REPORT THE DEVELOPMENTS IN TURKEY AND AROUND THE WORLD TO ITS VISITORS INSTANTANEOUSLY, IN ADDITION TO PROVIDING DIGITAL VERSION OF THE NEWSPAPER.

170

THOUSAND
DOMESTIC
NEWSPAPER
PRINTING
CAPACITY OF
İHLAS GAZETECİLİK
(HOURLY)

HAVING BECOME
ONE OF THE
MOST IMPORTANT
PRINTING CENTERS
OF TURKEY, İHLAS
GAZETECİLİK PRINTS
A GREAT NUMBER
OF NATIONAL AND
LOCAL NEWSPAPERS.

company, a subsidiary of İhlas Media Holding, to further increase its internet advertising revenue. www.turkiyegazetesi.com.tr, the online edition of Türkiye Newspaper, is constantly increasing its followers as well as its advertising revenue.

In addition, various efforts are made to register new users in a systematic fashion and the positive results of these efforts also have a favorable impact on circulation figures.

ONE OF THE TWO LARGEST PRINTING NETWORKS IN TURKEY

Having the advantage of owning its own printing facilities, İhlas Gazetecilik's printing facility in Istanbul has the capacity to print 55 thousand newspapers per hour. Furthermore, with a total of 507 employees based in Ankara, İzmir, Adana, Trabzon and Antalya, İhlas Gazetecilik adds regional pages to its local editions to offer customized content to readers in their own regions.

The printing facilities of İhlas Gazetecilik, which were initially established to print the Türkiye Newspaper, have steadily grown since then by offering printing services to companies outside the Group, and have eventually become one of the major printing facilities in Turkey. Today, İhlas Gazetecilik prints a great number of national and local newspapers.

Situated on a large area, Istanbul facilities of İhlas Gazetecilik have been providing integrated services including pre-press, printing and post-press services for newspapers, magazines, promotional materials and books, among many others since 1981. İhlas Gazetecilik, which operates not only in Turkey but also in the international arena, is one of the two Turkish media groups with the largest printing network.

PIONEER OF THE DELIVERY IN PERSON MODEL IN TURKEY

Türkiye Newspaper achieves 90% of its daily sales through delivery in person model. The delivery in person model is widely employed throughout the world, especially in the USA and Japan; this model helps to establish a warm and lasting communication with readers and brings stability to sales figures.

QUOTED ON BIST SINCE 2010

Since June 14, 2010, İhlas Gazetecilik shares are traded on the BIST under the ticker IHGZT ISIN. As of year-end 2018, İhlas Media Holding's participation rate in İhlas Gazetecilik is 48.63%, and that of İhlas Holding is 6.92%. Meanwhile, İhlas Gazetecilik's participation rate in İhlas News Agency is 25%.

İHLAS HABER AJANSI A.Ş. (İHLAS NEWS AGENCY, “İHA”)

ALONGSIDE ITS VIDEO, IMAGES AND NEWS TRANSMISSION CAPACITY FROM ALL TOWNS AND CITIES IN TURKEY AND 51 COUNTRIES AROUND THE WORLD, İHA TRANSMITS NEWS TO SUBSCRIBERS VIA SATELLITE UPLINK AND THE INTERNET.



Operating with 1,050 permanent employees and independent contractors at 145 offices in Turkey and abroad, İHA produces an average of 300 news articles with images, 1,000 written news articles and 3,000 photographs per day. As of year-end 2018, İHA has over 2,000 subscribers in Turkey, including television channels, newspapers, websites, magazines and institutions.

A PRESTIGIOUS NEWS AGENCY

Alongside its video, images and news transmission capacity from all towns and cities in Turkey and 51 countries around the world, İHA transmits news to subscribers via satellite uplink and the internet. In addition to the video crossing points in Turkey and around the world, 29 uplink stations mostly outside Turkey are able to instantly transfer images to the entire world. İHA offers mobile service delivery across Europe, thanks to its five outside broadcast trucks, and likewise offers the same services within Turkey.

Having begun establishing overseas offices from 1996 onwards, today, İHA is among the world's most prestigious news agencies, thanks to its content production and satellite operations across five continents. While strengthening its technological infrastructure, İHA also expanded its service diversity. During the last nine years, the agency provided services to over 500 television channels

+1,050

NUMBER OF
PERMANENT
EMPLOYEES AND
INDEPENDENT
CONTRACTORS

Founded in 1993 as Turkey's first privately owned news agency, İHA is the first agency to broadcast news footage. Pioneering principled, fast and accurate journalism in the past 25 years, İHA, aims to revamp its logo and pursue new achievements with the experience gained in line with this vision.

and corporations in 74 countries, generating USD 80 million in foreign currency, offering technical services worth USD 20 million to 1,080 TV stations and corporations in Turkey over the same period. Diversifying its areas of interest with the radical shift of the global landscape in the aftermath of the 9/11 attacks, İHA established studios and offices in the locations where it produces news content, such as Washington, London, Athens, Kabul and Berlin, and equipped these with state-of-the-art studio and uplink devices. The agency inaugurated fully equipped studios and offices in Erbil, Baghdad and Paris in 2017 and is continuing to grow every day after starting to provide studio services from Moscow and Tehran in 2018.

The 64-photo exhibition themed "We Were There, We Remember and Have Remembered" which is comprised of the photographs taken by İHA correspondents on the night of July 15, was organized in 2017 and 2018. The 64 photographs taken by İHA reporters were exhibited with the theme "We Were There, We Remember and Have Remembered" at 55 points throughout Turkey.

SPECIAL ARCHIVES BUILT ON IN-HOUSE TECHNOLOGIES

Thanks to software developed by its in-house technical staff, İHA set up a system to store footage in a digital archive, long before its peers around the world. The agency's 17-year-old archive features more than 1 million videos, 4,5 million news articles and 8.5 million photos.

İHLAS NEWS AGENCY, TURKEY'S FIRST PRIVATELY OWNED NEWS AGENCY, REVAMPED ITS LOGO IN THE 25TH YEAR OF ITS ESTABLISHMENT.

8.5

8.5 MILLION NUMBER OF PHOTOS STORED

The news automation application, which was developed by İHA, was put into use in 2012 to enable direct entry of news into the system from any location with internet access. This innovation exponentially expanded İHA's current news reporter and copy editor network and enabled faster transmission of the news to the subscribers.

INVESTMENTS TOWARDS NEW DEMOGRAPHICS AND MARKET AREAS

Providing HD video footage to its domestic and international subscribers and clients, İHA made investments in infrastructure and camera acquisition for HD video capture and broadcasting in 2018.

In 2018, İHA completed studio establishment operations in 7 regional centers and provided service with 30 drones and 65 units of LTE live broadcasting system throughout Turkey. The agency will continue its investments in order to implement technical infrastructure and new technologies in 2019. A pioneer in adopting new technologies, İHA has made a difference in news reporting by obtaining quality images with "drones."

By carrying out Istanbul and Ankara broadcasts as well as various live broadcasts for TV channels located in Anatolia, the studio has helped the agency reach a new income group and a new market. Furthermore, the studio delivers a daily one-hour live news broadcast, 30-minute news broadcast on weekdays, and 1 hour of Culture and Arts program on Fridays and services live news bulletins for 46 local stations across Anatolia.

As of year-end 2018, İhlas Gazetecilik's participation rate in İHA was realized as 25%, while that of İhlas Media Holding was 75%.

TGRT HABER TV A.Ş.

TGRT HABER AIMS TO INCREASE ITS TECHNOLOGY INVESTMENTS AND RENEW ITS OUTSIDE BROADCAST TRUCKS IN 2019 IN ORDER TO BE ABLE TO COMPETE MORE STRONGLY WITH ITS COMPETITORS AND SERVE ITS VIEWERS FASTER WITH HIGHER QUALITY IMAGES.

60.24%

INCREASE
IN RATINGS

Having amassed experience in collating the news on national and international current affairs through Türkiye Newspaper (İhlas Gazetecilik A.Ş.) and İhlas News Agency (İHA), İhlas Group transferred this amalgamation to TGRT News TV (TGRT Haber TV A.Ş.) when it went on air on October 29, 2004.

NEWS SETTING THE AGENDA

The channel broadcasts news from the world and Turkey agenda with 24-hour live bulletins and provides the audience with programs in which specialist guests share the opinions on issues related to the agenda both domestically and abroad.

Launched in 2014, the Channel which can now be viewed across Europe via the TÜRKSAT 4A satellite serves as a major source of news for the Turkish community in Europe.

Designing new programs aligned with viewers' expectations and introducing innovations to enhance interactive communication with the audience, TGRT Haber launched a new broadcasting project called "Public Camera" on the WhatsApp application.

In 2017, TGRT Haber changed its concept in order to enable the viewers to have access to more news, focusing on increasing the number of news articles with the slogan "Continuous News." The channel aims to target

women and young people with its women, fashion and documentary programs broadcast on weekend evenings.

According to the Television Monitoring Research Inc. (TIAK) data in respect of the change in ratings of 29 television channels in 2018, TGRT Haber realized the highest increase in ratings with 60,24% compared to the previous year. According to the published data, TGRT Haber has been ranked higher than the measured news channels as well as national and thematic broadcasting organizations.

TGRT Haber aims to increase its technology investments and renew its outside broadcast trucks in 2019 in order to be able to compete more strongly with its competitors and serve its viewers faster with higher quality images.

HIGH ACCESSIBILITY ACROSS ALL PLATFORMS

TGRT Haber reaches a vast audience through the Digiturk, D-Smart, Teledünya, and Tivibu digital platforms, and over the Internet (www.tgrthaber.com.tr) via live broadcast. The participation share of İhlas Yayın Holding (İhlas Media Holding) in TGRT Haber (TGRT News TV) stands at 99.48%.

TGRT HABER
LAUNCHED A NEW
BROADCASTING
PROJECT CALLED
"PUBLIC CAMERA"
ON THE WHATSAPP
APPLICATION.



İSTANBUL
#PEKİN
KARNE
İN İÇİNDE
GÜNÜN İÇİNDE

TÜRK
HİBER

İN İÇİNDE

TGRT FM (TGRT FM RADIO)

THROUGH COLLABORATION WITH TGRT HABER, TGRT FM HAS COME TO OCCUPY A ROBUST POSITION IN JOURNALISM AND SIGNIFICANTLY INCREASED ITS LISTENERS.

123

NUMBER OF TGRT FM
TRANSMITTERS

TO ENHANCE
PRODUCTIVITY,
MOST OF THE FM
TRANSMITTERS HAVE
BEEN REPLACED BY
ENERGY-EFFICIENT
FM TRANSMITTERS
WITH MORE RF
POWER.

TGRT FM was established on October 4, 1993, and is active under the legal entity of TGRT Haber (News) TV. TGRT FM is among Turkey's first national radio stations. Broadcasting systematically since its establishment, TGRT FM has continued to broadcast with the excitement of the first day proving that radio is a much more important means of communication than being a jukebox.

With the sincerity of a conversation within the family, TGRT FM brings together its audience on a single frequency through its morning, afternoon and evening programs, news programs on the agenda, health and women's programs, daily newspaper and article summaries, cliffhangers, sports programs and dialogues with the audience.

Through its collaboration with TGRT Haber (News), the station has come to occupy a robust position in journalism and significantly increased its listeners. Two TGRT FM classics, "Arkası Yarı (Cliffhanger)" and "Radyo Tiyatrosu (Radio Theatres)", have been broadcast without interruption since 1993.

FIRST RADIO TO BE BROADCASTED ON YOUTUBE

Thanks to its 123 transmitters across Turkey, TGRT FM can be accessed via radio as well as satellite receivers within the coverage area of Türksat 4A satellite. The Station has been

broadcasting in four different formats via the Internet and thus has become accessible from anywhere in the world.

In 2015, an agreement was reached in order to broadcast the programs on TGRT FM live on YouTube channel and easy access to this stream was provided at <https://www.youtube.com/tgrtfm>. TGRT FM, the first radio to be broadcasted on YouTube, has reached a much higher number of listeners than expected since its establishment.

ADVANCED TECHNOLOGICAL INFRASTRUCTURE

Equipped with technological studio equipment for broadcasting, recording and editing, as well as IP-based audio mixers, TGRT FM has a fully digitized infrastructure. To enhance productivity, most of the FM transmitters have been replaced by energy-efficient FM transmitters with more RF power.

With the project aiming to bring together all radio stations in Istanbul under one roof and broadcasting all radios with the same power in 2019, TGRT FM will enjoy an advantage and the radio will be able to be listened more clearly from the four corners of Istanbul by preventing the interference of other radio stations occurring from time to time.



TGRT
FM

TGRT DİJİTAL TV HİZMETLERİ A.Ş. (TGRT BELGESEL TV)

FOCUSING ON DOMESTIC PRODUCTION DOCUMENTARIES,
TGRT BELGESEL TV AIMS TO HELP YOUNG GENERATIONS GET TO
KNOW BETTER THEIR CULTURE IN 2019.

60%

RATIO OF DOMESTIC
PRODUCTIONS IN
ALL TGRT BELGESEL
PROGRAMS

WITHIN THE
SCOPE OF THE
COOPERATION
BETWEEN ISTANBUL
METROPOLITAN
MUNICIPALITY AND
TGRT BELGESEL,
DOCUMENTARIES
ABOUT ISTANBUL'S
HISTORICAL AND
CULTURAL HERITAGE
ARE PREPARED AND
PUBLISHED.

TGRT Belgesel (Documentary) TV aims to highlight cultural, civic, historical and spiritual values in the documentaries that it produces and encourage its viewers to embrace these values.

Established on 22 April 2010, TGRT Belgesel (Documentary) broadcasts for 24 hours a day and unlike other documentary channels, it is available free of charge without any subscription system via satellite. Since 2015, the channel has broadcast its programs not only via the TÜRKSAT 4A satellite, but also via the D-Smart digital platform.

DOCUMENTARIES ILLUMINATING OUR CULTURE AND HISTORY

Around the clock, TGRT Belgesel (Documentary) broadcasts educational, enriching and instructive documentaries that cover issues related to history, civilizations, culture, arts, nature and moral values. Programs that showcase Turkey's cultural and natural riches, such as "Seyyah-ı Fakir," "Velhasıl," "Kıyıda Köşeden Hikâyeler," "Vuslat," "Hidayete Erenler," "Huzura Doğru," "Yolumuzu Aydınlatanlar" and "Tarihte İz Bırakanlar," are extremely popular among our viewers.

Within the scope of the cooperation between the Istanbul Metropolitan Municipality and TGRT Belgesel (Documentary), documentaries about Istanbul's historical and cultural

heritage are prepared and published. Meanwhile, the "Devri Alem: Tarihin Belgeseli" documentary investigates and unveils the traces of Turkish and Ottoman civilizations throughout the world. TGRT Belgesel (Documentary) TV continues its investments to further expand its range of programs.

Thanks to the YouTube channel created in the first quarter of 2017, viewers can access the newly created documentaries of TGRT Belgesel (Documentary) whenever they want.

A great number of documentary channels screen foreign documentaries causing the new generation to fall under the hegemony of foreign cultures. For this reason, TGRT Belgesel (Documentary) aims to help the young generations get to know their culture better by focusing on domestic production documentaries in 2019.



DİJİTAL VARLIKLAR GÖRSEL MEDYA VE İNTERNET HİZMETLERİ LTD. ŞTİ. (DIGITAL ASSETS)

DIGITAL ASSETS CARRIES OUT WORKS TO INCREASE THE NUMBER OF THE FOLLOWERS AND DYNAMISM OF İHLAS GROUP MEDIA COMPANIES' SUCH AS THE WEBSITES OF TÜRKİYE NEWSPAPER, TGRT HABER, İHLAS NEWS AGENCY, NET NEWSPAPER AND MAVİ KADIN.



1.2
MILLION
NUMBER OF
FACEBOOK
FOLLOWERS
OF TÜRKİYE
NEWSPAPER

In light of the fact that digital media is gaining importance day by day, Digital Assets was established in order to merge İhlas Media Group's various digital projects under a single roof. Digital Assets carry out studies making a difference in the online sites of the group's media companies.

Digital Assets undertakes efforts to further improve and increase the number of followers of İhlas Group media companies' websites, namely Türkiye Newspaper, TGRT News, İhlas

News Agency and Net Newspaper and Mavi Kadın. The group expanded its projects supporting women by incorporating the digital platform of the Yemek Zevki (The Pleasure of Cooking) magazine.

In 2018, efforts were also made to develop the iOS and Android applications of Türkiye Newspaper. The newspaper continues to grow in the mobile application market. The participation share of İhlas Yayın Holding (İhlas Media Holding) in Digital Assets stands at 97.74%.

www.turkiyegazetesi.com.tr

The online version of Türkiye Newspaper, turkiyegazetesi.com.tr has become a window that opens up to the news articles through which the visitors can follow all developments. The number of visitors increased day by day and turkiyegazetesi.com.tr reached an average of 1.5 million visitors per day in 2018. The number of visitors is expected to rise to 2 million in 2019.

Very active in social media, Türkiye Newspaper had 1.2 million Facebook and 171 thousand Twitter followers in 2018.

www.tgrthaber.com.tr

www.tgrthaber.com.tr, the online edition of TGRT Haber TV, was well received by its visitors as a digital news portal following Turkey and world agenda alongside TGRT Haber TV. The increasing trend in the number of visitors reaching an average of 650 thousand daily in 2018 is expected to continue and increase to 1 million in 2019.

Moreover, reaching out to 8 million visitors per week with more than 1 million Facebook followers, TGRT Haber aims to reach 1.5 million Facebook followers in 2019.

www.iha.com.tr

Extending the dynamism of İhlas News Agency (İHA) into the online arena, iha.com.tr has attained a considerable increase in the number of its visitors with its extensive, high-speed network. "iha.com.tr," which has been providing a rich content in news, video and photo formats to its followers for years, has exceeded the visitor targets in 2018 reaching an average of 1.5 million visitors per day. The new target of iha.com.tr is to reach 2 million visitors as soon as possible.

Very active in social media, İhlas News Agency reached out to an average of 11 million people per week on its Facebook page. The agency is appreciated for its breaking news, exclusives, live broadcasts, and videos. With already more than 1 million Facebook followers and over 650 thousand Twitter followers, iha.com.tr aims to reach 1.5 million Facebook and 1 million Twitter followers.

IN 2018, EFFORTS WERE MADE TO DEVELOP THE NEWSPAPER'S IOS AND ANDROID APPLICATIONS. THE NEWSPAPER CONTINUES TO GROW IN THE MOBILE APPLICATION MARKET.

171

THOUSAND NUMBER OF TWITTER FOLLOWERS OF TÜRKİYE NEWSPAPER

www.netgazete.com

NetGazete, the first online newspaper of Turkey, increased its popularity each year and in 2018, received an average of 200,000 page visits per day.

www.mavikadin.com

Launched in April 2016, mavikadin.com (Blue Woman) is a website focusing on women, children, health, beauty, nutrition, and related issues.

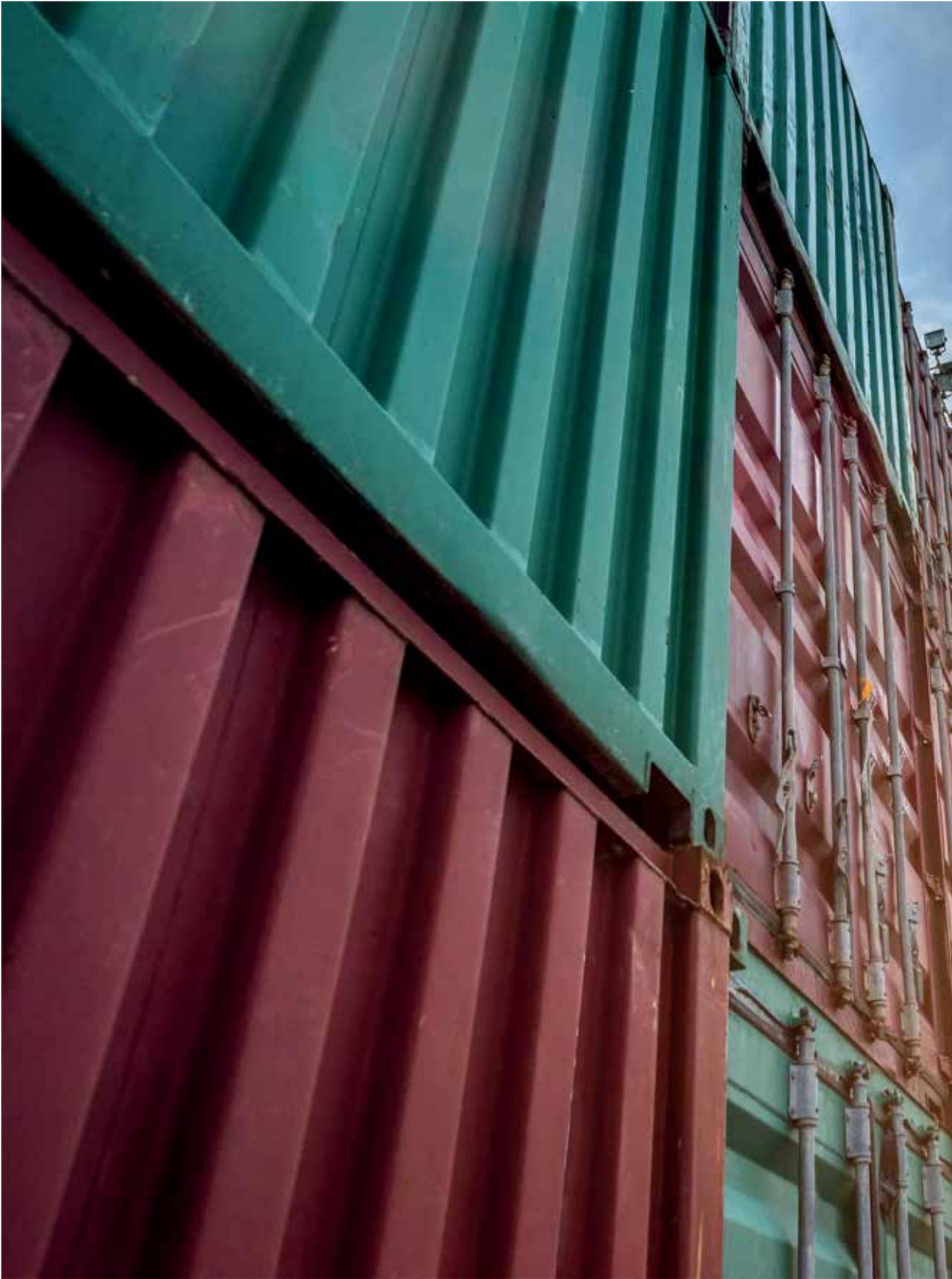
The website addresses a wide range of topics including health news and women-related issues and it also contains scientific information that is useful for families. In 2018, the average number of visitors of www.mavikadin.com reached 25 million per month (1,5 million per month since its establishment).

With the publication of the site in different languages and the development of the content, the number of visitors is expected to reach 45 million per month in the coming years.

www.yemekzevki.com.tr

yemekzevki.com.tr (The Pleasure of Cooking) joined the Digital Assets group in November 2016 and has been subsequently revamped to provide extensive information to its visitors regarding the consumption of healthy and seasonal food.

Increasing its visibility with its renewed design in 2018, yemekzevki.com.tr has 14,000 Facebook, 7,000 Twitter and 19,000 Instagram followers. The site also makes the necessary investments for updating iOS - Android applications and increasing traffic.





PRODUCTION, MARKETING AND TRADE

İHLAS PAZARLAMA
SUCCESSFULLY CONTINUES
MARKETING AND SALES
ACTIVITIES THANKS TO
ITS STRONG BOND WITH
THE CUSTOMERS VIA ITS
FRANCHISES THROUGHOUT
THE COUNTRY.

75 PROVINCES

163 AUTHORIZED SERVICE POINTS

İHLAS PAZARLAMA A.Ş. (İHLAS MARKETING)

HAVING 246,000 CUSTOMER VISITS EVERY MONTH, İHLAS MARKETING CARRIES OUT NEWSPAPER DISTRIBUTION, ACTIVE SALES AND IN STORE ACTIVITIES AS WELL.



331

NEWSPAPER
DISTRIBUTION AND
SALES POINTS

İhlas Marketing focuses its marketing efforts on İhlas Group's electric and electronic home appliances. The Company has an authorized service department rendering after-sales services, as well as one of Turkey's largest distribution and sales organizations - which also delivers Türkiye Newspaper to its subscribers.

İhlas Marketing mainly focuses on selling and marketing small electric home appliances manufactured by İhlas Home Appliances, and renders sales and after-sales services, as well as newspaper distribution services, to customers through its 311 newspaper

distribution and sales points and 163 authorized service points across Turkey's 75 provinces.

STRONG PRODUCT PORTFOLIO

Products bearing the Aura brand manufactured by İhlas Home Appliances carry a significant weight in terms of turnover and added value in the portfolio of İhlas Marketing. Through an extensive sales and service network, the Company delivers Aura Cebilon, Turkey's first NSF-certified water treatment device, and Aura Cleanmax Cleaning Robot which is supported by TÜBİTAK and received a design award in Europe to customers. In addition, the company also carries out wholesale marketing of many products through its franchises. At its sales points, the Company markets a wide range of small home appliances and electronic products of global brands that appeal to different tastes.

EXTENSIVE ORGANIZATIONAL STRUCTURE

Making 246,000 customer visits every month, İhlas Marketing carries out newspaper distribution, active sales, and in-store activities as well. Moreover, İhlas Pazarlama is a large-scale marketing company with competent service personnel based in many cities.

İhlas Marketing has three different channels: Product Demos; Distribution and Sales Channel; and Authorized Services.

PRODUCT DEMOS

Reference Source: Demo/Customer Visit

Each demo and sale is connected to a reference source. After the product demo and sale are complete, personnel collect references regarding other potential customers.

Demobank/customer communication

Communication specialists serve as demobanks at İhlas Marketing call centers. The demobanks contact the third parties referenced by existing customers and organize a customer visit for the product demo teams.

Customized product demos at 1,200 homes every day

Each product demo is customized according to the family in question. During the visit, the demo expert presents a product/benefit analysis, for around two hours, to family members. Each day, the product demo teams visit 1.200 homes, introducing the Aura Cleanmax Cleaning Robot and the Aura Cebilon Water Treatment Device.

Specialized demo team

Our 1,600-strong specialized demo team offer individuals information about healthy, high-quality living.

700 Aura Cleanmax Cleaning Robot and 900 Cebilon Water Treatment Device demo experts meet potential customers at appointments throughout the morning and in the evening. Rather than focusing on sales, the presentations underscore the necessity of creating a healthy environment and drinking clean and high-quality water.

Distribution and Sales

Since 1978, Türkiye Newspaper has been delivered to subscribers in person. The in-person newspaper delivery service is provided by İhlas Marketing dealers, 331 newspaper distribution offices, and newspaper distributors throughout Turkey. In this sense, İhlas Marketing acts as a bridge between the newspaper and its readers.

İHLAS MARKETING
RENDERS SALES
AND
AFTER-SALES
SERVICES,
AS WELL AS
NEWSPAPER
DISTRIBUTION
SERVICES, TO
CUSTOMERS
THROUGH ITS
311 NEWSPAPER
DISTRIBUTION
AND SALES
POINTS AND 163
AUTHORIZED
SERVICE POINTS
ACROSS TURKEY'S
75 PROVINCES.

4,000

NUMBER OF
HOUSES TO
WHICH TECHNICAL
SERVICE IS
PROVIDED (DAILY)

102,000 Visits per Day

Every day of the year, our strong newspaper delivery team of 1,001 individuals distributes Türkiye Newspaper to the doorsteps of homes, offices and businesses. The total distance covered daily by Türkiye Newspaper subscriber representatives in car, on bicycle, or on foot is 40 thousand kilometers, which is equivalent to circumnavigating the globe.

Sales Representatives

The entire team, including subscriber representatives who distribute newspapers, consists of 1,001 individuals. The team also sells various catalogued products in-person, thus reaching the most remote villages and towns of Turkey, and bringing the service to the doorstep of customers and subscribers.

AUTHORIZED SERVICES

4,000 homes receive technical services each day

İhlas Authorized Services supervise repair, maintenance and filter replacement for the Aura Cebilon water treatment devices, as well as repair and maintenance for the Aura Cleanmax cleaning robot.

At İhlas Authorized Services, a strong administrative and technical staff of 1,112 offers after-sales services, while 199 technicians deliver in-house services, and 496 technicians visit customers in their homes or offices. The service call centers employ 244 communication specialists who are in constant contact with the customer base.

By the end of 2018, İhlas Holding's share in İhlas Marketing stands at 98.32%.

İHLAS EV ALETLERİ İMALAT SANAYİ VE TİCARET A.Ş. (İHLAS HOME APPLIANCES)

İHLAS HOME APPLIANCES IS THE LEADER OF THE INSTANT ELECTRIC WATER HEATER MARKET AND HAS A STRONG POSITION IN THE MARKET WITH ITS AURA BRAND WATER HEATERS USED IN MILLIONS OF HOMES.



63

NUMBER OF
DISTRIBUTORS
OF İHLAS HOME
APPLIANCES IN THE
WORLD

Since its establishment, Ihlis Home Appliances Manufacturing, Industry and Commerce (İHEVA) has manufactured small home appliances designed to meet health standards and make family life more comfortable and delivers these to consumers in an extensive and efficient manner.

The Company operates in a manufacturing facility with 12.900 square meters of covered area within the Beylikdüzü Organized Industrial Zone with its robust technical team.

The facility includes Cleaning Robot Factory, Water Treatment Factory, Water Heater and Carpet Washing Factory, Plastic Injection Production Facilities, Filter Production and Carbon Filling Facilities.

A PRODUCT RANGE UNIQUE TO THE AURA BRAND

The product range of Ihlis Home Appliances includes cleaning robots, “reverse osmosis” water treatment systems, water heaters, rug cleaning machines, wet and dry vacuum cleaners, quartz stove heaters and tea sets with Aura, Aura Cleanmax, Aura Roboclean, Aura Cebilon, Aura QVac, Aura Livac, Aura Wdry brands. İHEVA delivers its products to Turkish customers via the extensive dealer network and sales channels of the distributor company, Ihlis Marketing, while other distribution channels are employed for overseas marketing.

FAST SOLUTIONS TO MEET CUSTOMER EXPECTATIONS WITH IN-PERSON MARKETING

The marketing team of Ihlis Home Appliances informs the customers about the products and services in detail and reports the requested features and functions directly back to Ihlis Home Appliances. In this way, the brand ensures customer satisfaction by providing instant solutions to meet customer expectations.

INTERNATIONAL STANDARDS AND DESIGN AWARDS

While İhlas Home Appliances has a strong position in the sector with its Aura brand water heaters, it is the leader of the instant electric water heater market.

Always a pioneer in the sector, İhlas Home Appliances confirmed the quality of the Aura Cebilon Reverse Osmosis Water Treatment System with the NSF (National Sanitation Foundation) certificate, an outcome of long-term meticulous studies. Founded 55 years ago, NSF is an independent, non-profit certification and testing body that develops standards for a series of domestic and industrial products. The World Health Organization (WHO) defines NSF as a Collaboration Center for Drinking Water Safety and Treatment. IHEVA has become a member of the U.S. based Water Quality Association, the international trade association in order to strengthen its competence and reliability in the field of water treatment. The Water Quality Association is considered a global authority in water testing and providing training and information.

Aura Cleanmax and Aura Roboclean products respectively received Reddot award in 2013, Good Design award in 2015, Iconic, IF Design, A Design awards and Best Product award in Kazakhstan in 2016 and German Design award in 2018. Meanwhile, Aura Cebilon was recognized with Design Turkey award in 2014, Good Design award in 2015, A Design award and Best Product award in Kazakhstan in 2016, Iconic Design award in 2017, and German Design award in 2018.

İhlas Home Appliances is rapidly progressing to carry its brand to the international arena with the awards it has received from the most respected institutions in Asia, Europe and America.

İHLAS HOME APPLIANCES IS ENGAGED IN MARKETING ACTIVITIES IN EUROPE, AMERICA, AFRICA, FAR EAST COUNTRIES, AND PARTICULARLY IN TURKIC REPUBLICS.

77.97%

PUBLIC FLOAT RATE OF İHLAS HOME APPLIANCES

In 2017, İhlas Home Appliances ranked 191th among the 250 companies with the highest R&D expenditures within the scope of the survey conducted by the Turkish Exporters Assembly entitled "TEA-1,000 Turkey's 1,000 Biggest Exporter Firms."

SALES-MARKETING ACTIVITIES IN MORE THAN 63 COMPANIES

İhlas Home Appliances engages in marketing activities in Europe, America, Africa and Far East countries, particularly in Turkic Republics. In 2018, 49% of international sales were made to Turkic Republics, 29% to Europe, 10% to Middle East, 5% to Far East, 7% to America and African countries.

In 2018, İhlas Home Appliances continued to participate in internationally prestigious fairs and general trade fairs in potentially identified countries. Touching consumers in 63 countries of the world, distributors of Aura Roboclean Cleaning Robot came together in September 2018 in Istanbul.

77.97% FREE FLOAT RATE

The Company's shares are being traded on BIST (Borsa Istanbul) under the ticker symbol "IHEVA" since September 26, 1996. As of the operating period 2018, 77.97% of the Company's share capital is free float. IHEVA shares are being traded on BIST ALL 100 Index since October 1, 2007. The Company was also included in the BIST Corporate Governance Index on December 29, 2010. IHEVA IS QUOTED UNDER BIST CORPORATE GOVERNANCE/BIST MAIN/BIST Istanbul/BIST INDUSTRIAL/BIST ALL-100/BIST METAL PRODUCTS, MACHINE/BIST ALL indexes.





HEALTH AND EDUCATION

İHLAS HOLDİNG ADOPTS CORPORATE SOCIAL RESPONSIBILITY APPROACH IN HEALTH AND EDUCATION SECTORS, WHICH ARE AMONG ITS FIELDS OF ACTIVITY.

2,200

NUMBER OF STUDENTS OF İHLAS EDUCATIONAL INSTITUTIONS

TÜRKİYE GAZETESİ HASTANESİ (TÜRKİYE NEWSPAPER HOSPITAL)

ESTABLISHED AS A REFLECTION OF İHLAS GROUP'S SOCIAL RESPONSIBILITY APPROACH TÜRKİYE NEWSPAPER HOSPITAL PERFORMS AN AVERAGE OF 750 OUTPATIENT EXAMINATIONS PER DAY WITH 63 SPECIALIST DOCTORS AND 354 HEALTH AND ADMINISTRATIVE STAFF.



650

NUMBER OF
SURGICAL
OPERATIONS
MONTHLY

As a reflection of İhlas Group's social responsibility approach, Türkiye Newspaper Hospital was established in 1991 to offer healthcare services, a primary need for individuals and families, under the most favorable conditions. The Hospital embraces a "human-centered" approach in all of its activities.

With 63 staff physicians and 354 health and administrative personnel, Türkiye Newspaper Hospital performs an average of 750 outpatient examinations per day, and an average of 800 in-patient treatments and 650 surgical operations per month.

With a total of 125 patient beds, 7 operating rooms, and state-of-the-art laboratory and diagnosis units, Türkiye Newspaper Hospital implements interventional diagnosis and therapy methods, while staying abreast of technological progress in the industry.

"FEELS LIKE HOME" SERVICE UNDERSTANDING

All services at Türkiye Newspaper Hospital are organized in line with the Hospital's motto, "Feels Like Home." To continuously monitor patient satisfaction, the Hospital launched an Automatic Voice Appointment Reminder System. In addition to this, the Q-Button system was implemented to measure and report patient satisfaction and employee performance levels. Thanks to the Q-Button system, patients became able to immediately submit their assessment of the services provided. These assessments are analyzed in a timely manner, to meet patient expectations at the highest level.

ACTIVITIES IN THE NEW BUILDING

The modern new building of Türkiye Newspaper Hospital, built according to the smart building system, has begun to accept patients. Having started providing service with the motto "A Hospital That Feels Like Home" 28 years ago, Türkiye Newspaper Hospital increased its total bed capacity to 125 including 15 Adult and 10 Newborn Intensive Care Units with the introduction of the additional building. The new building, which has a total of 4 thousand square meters of covered area and 10 floors, is serving especially with its intensive care bed capacity.

The new building also features a Gynecology and Obstetrics Polyclinic, a Delivery Room, a Physiotherapy Complex, Adult and Newborn Intensive Care Units and Imaging Systems (Computed Tomography, Ultrasound and X-ray).

MODERN INTENSIVE CARE UNIT

New building located in the hospital garden provides services with its extensive and experienced staff in the Adult Intensive Care Unit, 15-bed capacity and modern and sophisticated devices that can rarely be found in Turkey. One of these devices is Hemodiafiltration device. With this device, patients with acute renal impairment can be served in the intensive care unit. Sepsis can also provide uninterrupted service to patients with multiple organ failure in the intensive care unit.



THE FIRST PRIVATE HOSPITAL TO PROVIDE SERVICE WITH AN AUTOMATED SYSTEM

Türkiye Newspaper Hospital is the first private hospital in Turkey entirely operated through an automation system. The Hospital closely follows all developments in technology and related legislation to ensure that patients' expectations are met in the best way possible, and also to meet requirements that arise as a result of healthcare industry developments. Türkiye Newspaper Hospital has integrated all major healthcare applications, such as the sağlık.NET data transmission system, e-prescription, and e-report, into its information management system. The Hospital has also set up the Picture Archiving and Communication System (PACS), which enables radiological images such as X-ray, MRI and BT to be transmitted, evaluated and stored digitally.

CERTIFIED AND AWARDED QUALITY STANDARDS

The TS EN ISO 9001:2008 Quality Certificate obtained in 2004 was later extended with certificates received from MEYER and TÜV. In 2013, the Turkish Ministry of Health evaluated and approved the Service Quality

**TÜRKİYE
NEWSPAPER
HOSPITAL IS THE
FIRST PRIVATE
HOSPITAL IN
TURKEY ENTIRELY
OPERATED THROUGH
AN AUTOMATION
SYSTEM. THE
HOSPITAL CLOSELY
FOLLOWS ALL
DEVELOPMENTS
IN TECHNOLOGY
AND RELATED
LEGISLATION
TO ENSURE
THAT PATIENTS'
EXPECTATIONS ARE
MET IN THE BEST
WAY POSSIBLE,
AND ALSO TO MEET
REQUIREMENTS THAT
ARISE AS A RESULT
OF HEALTHCARE
INDUSTRY
DEVELOPMENTS.**

Standards of Türkiye Newspaper Hospital. The Hospital received the "LOB Europe Consumer Award" at the 2013 Leaders of Branding Intelligence Awards held in Frankfurt, Germany. In 2015, the Hospital was recognized with the Gold Brand Award by the Consumer Protection Association (TTKD), as the hospital with the fewest customer complaints in the health sector according to a survey conducted by TTKD.

QUALITY AND ACCREDITATION IN HEALTH (HQS SCORE)

In 2016, Türkiye Newspaper Hospital was audited by the Ministry of Health, receiving a health quality score of 96.96%.

IN-DEPTH SPECIALIZATION IN HEALTH

The Ophthalmic and Lasik Surgery Unit at Türkiye Newspaper Hospital is among the leading eye centers in Turkey.

TÜRKİYE GAZETESİ HASTANESİ (TÜRKİYE NEWSPAPER HOSPITAL)

THE OPHTHALMIC AND LASIK SURGERY UNIT AT TÜRKİYE NEWSPAPER HOSPITAL IS AMONG THE LEADING EYE CENTERS IN TURKEY.

7

NUMBER OF
OPERATING ROOMS

In Türkiye Gazetesi Hospital, all diagnoses and treatments are performed with modern methods in the Internal and Surgical Medicine departments, including Internal Medicine, Allergy and Respiratory Diseases, Gastroenterology, Neurology, Dermatology, Physical Treatment and Rehabilitation, Nutrition and Dietetics, Cardiovascular Surgery, Cardiology, General Surgery, Pediatric Surgery, Anesthesiology and Reanimation, Orthopedics and Traumatology, Ear Nose and Throat, Plastic Surgery and Reconstruction Surgery, Urology, Obstetrics and Gynecology, Perinatology, Pediatric Health and Diseases, Dental and Oral Health, Psychology, Psychiatry, Child Psychiatry, Neuro-Psychiatry, Ophthalmology, Retina, Brain and Neurosurgery, Radiology, Pediatric Cardiology, Pediatric Neurology, Rheumatology, Algology.

The Hospital continuously improves its service infrastructure in other fields of medicine such as Pulmonology, Radiology, Pediatrics, and Child and Adolescent Psychology. Türkiye Newspaper Hospital continues to expand its medical staff with the addition of new specialist physicians, and to renovate the patient rooms at its historic building by protecting its historic character.

The Gynecology Polyclinic, Perinatology, Physiotherapy and Rehabilitation departments have started to provide services in the new building. In addition, laser technologies which have been used in the Physical

Therapy and Rehabilitation Unit aim to provide effective solutions to the whole body in a short amount of time. This unit is also used for treatments such as Shock Wave Therapy (ESWT) and Hill Therapy.

In 2016, the Radiology, Pediatric Cardiology, Pediatric Neurology, Rheumatology, and Algology departments were opened, and social areas were created within the health services departments and in the Hospital garden, in consideration of the needs and comfort of patients. A pregnancy school was inaugurated to serve pregnant women. In addition, professional photography services were started to be provided to serve pregnant women during and after birth.

Internal training programs were organized to further increase employee loyalty, to foster goal-orientation and improve efficiency, and to offer higher quality services.

Additionally, Türkiye Newspaper Hospital initiated investments to promote health tourism, which presents a significant potential for Turkey and is incentivized by the government. To that end, the Hospital established an International Patient Relations Department and developed special health programs geared towards meeting the healthcare needs of European, Asian and African countries.

INTERNAL TRAINING PROGRAMS WERE ORGANIZED TO FURTHER INCREASE EMPLOYEE LOYALTY, TO FOSTER GOAL-ORIENTATION AND IMPROVE EFFICIENCY, AND TO OFFER HIGHER QUALITY SERVICES.



TÜRKİYE
HASTANESİ

TÜRKİYE
HASTANESİ

İHLAS EDUCATIONAL INSTITUTIONS

PLACING BASIC HUMAN AND UNIVERSAL VALUES AT THE CENTER OF THEIR EDUCATIONAL PROGRAM TO RAISE GENERATIONS THAT WILL SHAPE THE FUTURE, İHLAS EDUCATIONAL INSTITUTIONS PROVIDE EDUCATION TO APPROXIMATELY 2,200 STUDENTS IN 2019.



20

İHLAS EDUCATIONAL INSTITUTIONS STUDENTS RANKED AMONGST THE FIRST FIVE HUNDRED STUDENTS IN THE LAST YEAR'S UNIVERSITY EXAM

Education is another area where İhlas Holding is active in order to fulfill its social responsibilities. Founded in 1996, İhlas Educational Institutions set out with the objective of extending education services in Turkey, creating a good model in education, and becoming a benchmark institution.

Active in the education sector for 22 years, İhlas Educational Institutions have three campuses, 15 schools and 404 employees, including 117 administrative personnel, and 287 teachers.

Not content with simply preparing students for the next level in education, İhlas Educational Institutions ensures that students acquire the skills that they will require once they embark on their careers as adults. To bring up generations that will shape the future, the schools place basic human and universal values at the center of their educational program. In 2019, approximately 2,200 students attended the schools, which place a special emphasis on healthy social and physical development.

İhlas Educational Institutions comprise 15 schools divided into three campuses.

BAHÇELİEVLER CAMPUS

- ✿ Private Bahçelievler İhlas Elementary School — Nursery Classes
- ✿ Private Bahçelievler İhlas Secondary School
- ✿ Private İhlas Anatolian High School
- ✿ Private İhlas Anatolian Vocational and Technical High School (Radio Television Departments)
- ✿ Private İhlas Science High School

BEYLİKDÜZÜ CAMPUS

- ✿ Private Marmara Evleri Housing Project İhlas Elementary School — Nursery Classes
- ✿ Private Marmara Evleri Housing Project İhlas Secondary School
- ✿ Private Marmara Evleri Housing Project İhlas Anatolian High School
- ✿ Private Marmara Evleri Housing Project İhlas Science High School

AVCILAR/ISPARTAKULE CAMPUS

- ✿ Private İhlas Kindergarten Bizim Evler Housing Project Phase 2
- ✿ Private İhlas Kindergarten Bizim Evler Housing Project Phase 3
- ✿ Private İhlas Kindergarten Bizimevler Housing Project Phase 7
- ✿ Private İhlas Bizimevler Primary School Bizimevler Housing Project Phase 4
- ✿ Private İhlas Mehmet Yoluç Primary School Bizimevler Housing Project Phase 6
- ✿ Private İhlas Mehmet Yoluç Middle School Bizimevler Housing Project Phase 6

PHYSICAL AMENITIES

İhlas Educational Institutions schools are built over a total closed and open area of 57,651 square meters, and have 195 classrooms. The schools have a range of amenities to meet various needs in the field of education, such as open and covered sports areas; performance and conference halls; computer labs, science labs, physics, chemistry and biology labs, and science and technology classrooms; story-telling rooms; interactive classrooms; painting, woodwork, cooking and robotics workshops; as well as libraries and foreign language labs.

Located in central locations across Istanbul, the schools have clean and spacious interiors surrounded with lush green areas. Classrooms are designed for 18 to 24 students. School buildings are equipped with special amenities to underpin a modern education model.

TECHNOLOGICAL INFRASTRUCTURE

İhlas Educational Institutions offer both administrators and students the "Google Suite for Education" and Google Business Edition programs free of charge. Teachers are offered a cloud-based work platform to enable harmonious collaboration on documents produced in the school, in line with specific standards. A strong

STUDENTS
PARTICIPATING
IN THE ERASMUS
PROJECT TRAVEL
TO EUROPEAN
COUNTRIES
AND DEVELOP
PROJECTS
WORKING
TOGETHER
WITH STUDENTS
FROM SCHOOLS
OF DIFFERENT
COUNTRIES.

370

NUMBER OF
EMPLOYEES
OF İHLAS
EDUCATIONAL
INSTITUTIONS

internet infrastructure has been set up in all the schools for the smooth functioning of our tablet PC-supported education scheme. Thanks to technological investments in classrooms and laboratories with respect to three-dimensional education, coding, 3D design, production, and robotics courses offer an impressive and entertaining experience.

Furthermore, thanks to a special agreement covering all Microsoft software except Office products, teachers, students and administrators have free-of-charge access to these within the scope of Microsoft Imagine.

EDUCATIONAL ACTIVITIES

Conducting all academic activities meticulously, İhlas Educational Institutions have produced numerous Istanbul and Turkey national exam champions in its 22-year long history. In 2018, İhlas Educational Institutions produced the student ranking first in the university exam as well as nine students amongst the first hundred students. Furthermore, systematic efforts are expended to ensure that students are successful in the national exams without requiring any external support, and that they obtain the necessary level in foreign languages required to skip preparatory classes at the universities.

ACADEMIC WORKS

İhlas Educational Institutions provide students with not only the official curriculum, but also academic support programs, weekend courses, course workshops, one-on-one lessons, intensive support programs for university and high school entrance exams, preparation for international exams, as well as FCE and TOEFL certification programs.

In addition to the regular study programs specially designed for exam preparation, intensive study camps are held before the exams, pilot exams are organized

IHLAS EDUCATIONAL INSTITUTIONS

WITHIN THE SCOPE OF THE GOOGLE SUITE FOR EDUCATION PROGRAM, IHLAS EDUCATIONAL INSTITUTIONS OFFER GSUITE BUSINESS EDITION FREE OF CHARGE TO BOTH ADMINISTRATIVE UNITS AND STUDENTS.



15

NUMBER OF
SCHOOLS OF IHLAS
EDUCATIONAL
INSTITUTIONS

in university settings, and course workshops are delivered in the evenings by branch teachers and counselors to ensure that students receive all the necessary support to score high in the exams.

FOREIGN LANGUAGE EDUCATION

At Ihlas Educational Institutions, a special training program is in place to enable students to use foreign languages effectively and express themselves in a fluent and correct manner in various environments, both verbally and in writing. Teachers of the foreign language department adopt

the motto, "Language education must focus on communication," and take an approach that enhances students' communication skills. In the "Best Contest" where the best English-speaking high school and university students competed, Ihlas Educational Institutions students ranked first, second and third in the last 3 years.

Measurement and assessment activities: The Measurement and Assessment Department monitors academic performance for the healthy implementation of the one-on-one training model, and conducts needs analysis to correctly identify feedback on lessons. The purpose of these Measurement and Assessment activities is to monitor the academic progress of all students at Ihlas Educational Institutions, make changes in education plans depending on the results, and measure the quality of teachers and the curriculum. The measurement and assessment experts active in the unit monitor all processes and produce detailed reports which are shared with the entire faculty.

COUNSELLING ACTIVITIES

The Developmental Counselling Model is utilized in counselling work to ensure that the students can develop strategies that they may use to resolve problems encountered in different areas of life. Counselling teachers provide individual support to each student so that the latter can successfully complete age-specific

developmental tasks and prepare for the next developmental period. The aim in this case is not to offer ready-made solutions to students, but rather to help them acquire the skills to detect and resolve problems in different situations.

NATIONAL AND INTERNATIONAL PROJECTS

At İhlas Educational Institutions, teams including students and teachers are set up to prepare for national and international projects. The clubs created for the students to develop their thinking and self-expression effectively continue their activities.

Students participating in the Erasmus project travel to European countries and develop projects working together with students from schools in different countries.

The students at the European Youth Parliament (EYP) club take an early step to the global political stage during high school and have a say in the European Youth Parliament. Meanwhile, the students at the Model United Nations (MUN) club are able to express their ideas by taking the stand at the MUN conferences which are regarded as the most prestigious academic activity for students by universities, educational institutions and many academic authorities in the world.

Moreover, the students of İhlas Educational Institutions who participated in national projects gained many degrees in many different fields within the scope of the TÜBİTAK Project competition.

SOCIAL AND SPORTS ACTIVITIES

At İhlas Educational Institutions, social activities and sports events are considered an integral part of academic development and, from an early age, students are encouraged to take up individual and team sports for healthy physical and psychological development.

IN İHLAS
EDUCATIONAL
INSTITUTIONS,
TEAMS CONSISTING
OF STUDENTS
AND TEACHERS
ARE FORMED TO
PREPARE FOR
NATIONAL AND
INTERNATIONAL
PROJECTS.

Our athletes scored high points in both individual and team competitions in archery, rowing, volleyball, judo, karate, swimming, wrestling and figure skating across Turkey and Europe. We expend continuous efforts to increase the number of students participating in these activities, and to train the champions of the future.

To support students' social development, all schools design and implement an annual social activity calendar. This calendar is composed of events including provincial, national and international trips, competitions, festivals and fairs.

VALUES EDUCATION

Established in 1996 with the slogan "Touching Hearts through Education," İhlas Educational Institutions have always upheld the motto of "Raising good individuals," underscored by the founder Mr. Enver Ören while outlining the school's fundamental purpose. Values education occupies a special place in this educational perspective, which focuses on raising children to be principled as well as successful. In a concrete demonstration of this approach, students of İhlas Educational Institutions came first in a values education-themed competition held across Turkey.

SOCIAL RESPONSIBILITY PROJECTS

At İhlas Educational Institutions, the Tree of Hope Club established by students has organized visits to different schools since its foundation, contributed to the school libraries and performed various activities with students within the scope of its "Reach out Your Hand" program. The visit of animal shelters, the projects developed in order to protect the environment, charity fairs and conferences organized within the scope of club activities aim to create an awareness of social issues in all students.

287

NUMBER OF
TEACHERS
IN İHLAS
EDUCATIONAL
INSTITUTIONS

BOARD OF DIRECTORS



AHMET MÜCAHİD ÖREN
Chairman and General Manager
(Executive Member)

Born in Istanbul in 1972, A. Mücahid Ören graduated from Anadolu University, Faculty of Economics. Between 1989 and 1991 he served as IT Coordinator at Türkiye Newspaper, where he helped the newspaper to become one of the first Turkish publications designed on the digital environment. During the same period, he has also assumed the role of an Advisory Editor for Türkiye Çocuk, which is a magazine for children. In 1991, he was the General Manager for TGRT TV channel. He managed the infrastructure activities of the channel, which led to the Channel beginning broadcasting. Between 1993 and 2013, he has taken the posts of General Manager and Deputy Chairman at İhlas Holding. In 2013, he was elected as the Chairman of the Board of İhlas Holding. A. Mücahid Ören has published numerous articles, and is a member of various international professional organizations and think tanks including the International Academy of Television Arts and Sciences, the Atlantic Council, the Foreign Economic Relations Board of Turkey (DEİK), the Turkish American Business Council and World Economic Forum.



ZEKİ CELEP
Deputy Chairman of the Board of Directors
(Executive Member)

Born in 1939, Zeki Celep graduated from Turkish Military Academy, Gazi Institute of Education and Ankara University Faculty of Law. For a period of time, he served as an officer in the Turkish Armed Forces. Between 1966 and 1972, he took managerial roles in Işık Kitabevi (a publishing house) and Sabah Newspaper. Between 1972 and 1988, he incorporated İtimat İnşaat Ltd. Şti. and Antalya İmar Ltd. Şti, and started dealing with the construction business. He has carried out various local and overseas projects, including Antalya İller Bank Regional Office Compound and Antalya Airport and terminal building. In 1990, Zeki Celep established the Construction Group of İhlas Holding. Currently, he is the Chairman of the Board for İhlas Yapı Turizm ve Sağlık A.Ş., and a Board Member for İhlas Holding A.Ş.



ABDULLAH TUĞCU

Member of the Board of Directors (Executive Member)

Born in 1982, Kayseri, Abdullah Tuğcu graduated from Istanbul University Faculty of Business Administration. He obtained his master's degree from Marmara University Finance Department, in the field of Financial Law. Joining İhlas Group in 2008, Tuğcu was assigned as İhlas Yayın Holding Finance Coordinator in 2013, and İhlas Holding Deputy General Manager in Charge of Finance in 2014. In 2015, he also assumed the responsibility of İhlas Holding Financial Affairs Department. Currently, he is the Deputy General Manager in Charge of Financial Affairs and the Executive Member in Charge of Financial Affairs at İhlas Holding. In addition, he is a Board Member at İhlas Holding Group Companies. Holding a Certified Public Accountant and Financial Advisor license, Tuğcu is a member of the Istanbul Chamber of Certified Public Accountants and the Corporate Governance Association of Turkey (TKYD).



ABDURRAHMAN GÖK

Member of the Board of Directors (Executive Member)

Gök was born in Gaziantep in 1966. He graduated from Istanbul University Faculty of Law in 1986, and then became a lawyer in 1987. He has provided legal advisory services to television and radio channels. He wrote articles on legal issues for a national newspaper for five years, specializing in Real Estate Law, Financial Criminal Law and Tax Law. He was appointed İhlas Holding's Chief Legal Counsel and Member of Board in 2012.

BOARD OF DIRECTORS



MAHMUT KEMAL AYDIN

Member of the Board of Directors (Executive Member)

Born in Kastamonu in 1957, M. Kemal Aydın graduated from the Istanbul Academy of Economics and Commercial Sciences. Between 1976 and 1982 he served as General Accounting Supervisor at the Cerrahpaşa Faculty of Medicine Revolving Fund Accounting Office. He then served as Labor Inspector on the Labor Inspection Board at the Ministry of Labor and Social Security between 1985 and 1989. He began working at İhlas Holding in 1989, and was active in its public offering in 1993 and 1994. From 1998 until 2015, he served İhlas Holding as Executive Director in charge of Financial Affairs and Deputy General Manager. Mahmut Kemal Aydın is currently a Board Member at İhlas Holding.



SEDAT KURUCAN

Member of the Board of Directors (Non-Executive Member)

Born in Ordu, in 1960 Sedat Kurucan graduated from Istanbul Technical University, Faculty of Mechanical Engineering as a Mechanical Engineer in 1982. He received his master's degree from Eskişehir Osman Gazi University on gas turbines. He worked at Turkish Air Forces Command, Eskişehir Airplane Engine Maintenance Factory and Eskişehir TUSAŞ F16 Engine Factory in the field of Contract and Quality Management. Since 1999, he has been serving as a Board member and senior manager at İhlas Holding Group companies. He has a good command of English and he can speak beginner level French.



BÜLENT GENÇER

**Member of the Board of Directors
(Non-Executive Member)**

Born in Istanbul in 1941, Bülent Gençer completed Turkish Military Academy in 1962 and started to serve in the Turkish Armed Forces. In 1964, he graduated from Çapa Institute of Education, Science Department. In 1966, he retired from his post as a commissioned officer in the Armed Forces, and started to work as a teacher. In this period, he also studied at Istanbul Academy of Economics and Commercial Sciences, and graduated in 1969. That same year, he joined İhlas Group and went on to serve in different posts.



NECMİ ÖZER

**Member of the Board of Directors
(Independent Member)**

Necmi Özer was born in Safranbolu-Karabük in 1960 and graduated from Selçuk University Faculty of Education. Beginning his career in 1986, he has taken managerial roles at various companies. Since 2006, he has been holding senior positions at companies providing services and training in the area of quality standards. Since 2011, he has been the partner of a company providing services in quality and branding areas.

BOARD OF DIRECTORS



PROF. DR. RESUL İZMİRLİ
Member of the Board of Directors
(Independent Member)

Resul İzmirli was born in 1946 in İzmir. He graduated from Ege University Faculty of Agriculture, and then started to work as an Assistant at the same university, in the Economics and Business Administration Department. He went to Germany for PhD studies, and completed his doctorate in the subject of Cooperative Organizations at Giessen-Justus-Liebig University. He became an Assistant Professor in 1981, an Associate Professor in 1992, and a Professor in 2009. İzmirli has various papers published in international peer-reviewed academic journals. Currently, he is the department head at Yeni Yüzyıl University, Faculty of Health Sciences. İzmirli speaks English and German.



PROF. DR. HÜSEYİN HÜSNÜ GÜNDÜZ*
Member of the Board of Directors
(Independent Member)

He was born in Bingöl-Kığı in 1947, and graduated from the Faculty of Agriculture of Ankara University. Starting his career in academia in 1973, Gündüz instructed at many universities. His latest post in academia has been the rector position in İstanbul Yeni Yüzyıl University.

* Pursuant to paragraph (g) of the article 4.3.6 of the Communiqué on Corporate Governance, he was elected as an Independent Board Member to replace Salman Çiftçi whose term has ended in the General Assembly held on 29.05.2018.



ZİYA BURCUOĞLU*

**Member of the Board of Directors
(Independent Member)**

He was born in Gönen in 1942, graduated from the Military Academy and became a staff captain. Then, he was also trained at the military academy in Paris, France. He took a post in the opening of the first military attaché office in Tunisia. He took various posts within Turkish Armed Forces organization, and he retired at the rank of staff colonel. He has written and published many books on history.

* Pursuant to paragraph (g) of the article 4.3.6 of the Communiqué on Corporate Governance, he was elected as an Independent Board Member to replace İsmail Cengiz whose term has ended in the General Assembly held on 29.05.2018.



SALMAN ÇİFTÇİ*

**Member of the Board of Directors
(Independent Member)**

Salman Çiftçi was born in Sivas in 1971. He graduated from Uludağ University, Faculty of Economics and Administrative Sciences, Economics Department in 1993. He worked as a Finance Manager at various companies in the private sector. Currently, he is working at KRP Highway Construction Joint Venture. He has an Independent Accountant and Financial Advisor license, as well as the new Turkish Code of Commerce and SME IFRS certificates.

* Members of the Board of Directors were elected in the General Assembly held on 29.05.2018. He completed his term as an Independent Board Member, pursuant to paragraph (g) of the article 4.3.6 of the Communiqué on Corporate Governance.

BOARD OF DIRECTORS



İSMAİL CENGİZ*

Member of the Board of Directors (Independent Member)

He was born in Sankamış in 1957. He graduated from Eskişehir Academy of Economics and Commercial Sciences in 1979, and started to work for Dadaş Bookstore in Erzurum in 1981. Later, he worked as finance officer in various enterprises. In 2006, he became a partner at BDK Construction Laboratory in Tekirdağ Çerkezköy, leaving the partnership in 2012.

* Members of the Board of Directors were elected in the General Assembly held on 29.05.2018 He completed his term as an Independent Board Member, pursuant to paragraph (g) of the article 4.3.6 of the Communiqué on Corporate Governance.

SENIOR MANAGEMENT



AHMET MÜCAHİD ÖREN
Chairman and CEO/General Manager
For resume, see page 72.



ZEKİ CELEP
Deputy Chairman of the Board of Directors
(Executive Board Member in Charge of
Construction)
For resume, see page 72.

SENIOR MANAGEMENT



ABDULLAH TUĞCU
Deputy General Manager in charge of
Finance and Financial Affairs
(Member of the Board of Directors)

For resume, see page 73.



ABDURRAHMAN GÖK
Chief Legal Counsel (Board Member)

For resume, see page 73.



MAHMUT KEMAL AYDIN
Member of the Board of Directors
(In Charge of Internal Audit)

For resume, see page 74.



Y. BUĞRA VARLIK
Strategic Planning and Performance
Deputy General Manager

Born in 1981, Y. Buğra Varlık graduated from Kocaeli University Industrial Engineering Department. He later attended the Engineering Management program at the Marmara University, and then received his Master's degree in International Business Administration. He began his professional career at Turkish Airlines, and also served in the Operational Planning Department at TAV. In 2009, he took part in the establishment of TGS Ground Handling Services, a joint venture by Turkish Airlines and TAV. Coordinating joint studies and projects with Boeing, IATA and Sita, he also engaged in data mining activities with IBM PASW Turkey. Varlık serves as Ihlas Holding's Deputy General Manager in charge of Strategic Planning and Performance.

SENIOR MANAGEMENT



ORHAN TANIŞMAN

Budget Reporting and Investor Relations Deputy General Manager

Born in 1969 in Istanbul, Orhan Tanışman graduated from Istanbul Technical University Naval Architecture and Marine Engineering Department. Subsequently, he received his Master's Degree in Naval Machinery Automation from Yıldız Technical University and started his doctoral studies in investment planning at Istanbul University. He later attended the PhD program in investment planning in Istanbul University, while also studying at Istanbul University's Institute of Business Economics, and graduated in 1999. Between 1991 and 1994, he worked as a Research Assistant respectively at Marmara University and Istanbul University. Starting his career in İhlas Holding in 1994, he has served as Deputy General Manager in charge of Budget, Reporting and Investor Relations since 2014. Serving as a member of the Board of Directors at Group companies, Tanışman is also a member of the Corporate Governance Association of Turkey (TKYD).



FERRUH CİLOŞOĞLU

Administrative Affairs and Procurement Deputy General Manager

Born in Merzifon in 1965, Ferruh Ciloşoğlu graduated from Gendarmerie Officer School as valedictorian of his class. He retired from the Turkish Armed Forces after serving in various regions of Turkey, and later served as manager at İhlas Holding for many years, becoming a Vice Chairman at Marmara Evleri Housing Project-3 Site Management. Currently working as a trainer at the Turkish Wushu Federation's Aikido branch, Ferruh Ciloşoğlu is also the General Secretary of the World Defense Anti-Terror Federation (WDATF). He returned to İhlas Holding in August 2016 and now serves as Assistant General Manager - Administrative Affairs and Procurement.



FARUK KOCA

Chief Physician of Türkiye Hospital

Born in 1938 in Ahlat, Faruk Koca graduated from Dentistry Department of Istanbul University Faculty of Medicine. After serving as a physician for 22 years in Erzincan and Gümüşsuyu Military Hospitals and Kuleli Military High School, he retired in 1983 as a Colonel. Following his retirement, he has worked at İhlas Polyclinic, İhlas Holding A.Ş. Board of Directors' Secretarial Office, TGRT Audit Unit and İhlas Holding A.Ş. Administrative Coordination Unit respectively. He has been serving as the Chief Physician of Türkiye Hospital since 2004.



BEDRİ YELTEKİN

General Manager of İhlas Educational Institutions

Bedri Yeltekin graduated from Uludağ University Turkish Language and Literature Education Department. He started teaching at Besim Atalay Junior High School in Uşak in 1982-1983 academic year. Until 2010, he worked as a high school principal in cities such as İzmit, Mardin and İzmir. In 2010, he was appointed District Education Manager to Çanakkale, Bozcaada. During his tenure, he implemented the project "A Safe Future for the New Generations in Bozcaada," financed by the European Union. Within the scope of this award-winning project, children gained self-esteem, mothers strengthened their communication with their children, and a free-of-charge kindergarten was established with project funding. After 2013, he served as Karaburun District National Education Manager and İzmir Province National Education Vice Manager. He also ran projects with various institutions, delivered numerous seminars, and has published articles and studies on education in various newspapers. Since April 2016, Bedri Yeltekin has been serving as the CEO of İhlas Educational Institutions.

SENIOR MANAGEMENT



KÜRŞAT KARAKEBELİOĞLU

Finance Director

M. Kürşat Karakebelioğlu was born in Develi, Kayseri in 1958. He graduated from the Finance and Accounting Department of the Istanbul Academy of Economics and Commercial Sciences. In 1978-1979, he started his accounting career in the construction sector. Between 1980 and 1989, he worked as an Accounting Manager at a leading firm in the textile industry, Penyelüks Textiles, and its subsidiaries. He also worked as auditor and supervisor at different companies, and holds a Certified Public Accountant and Financial Advisor license. Kürşat Karakebelioğlu joined İhlas Holding in 1989, and has been serving as Finance Director since December 24, 2015.



MUZAFFER KAYA

Human Resources Director

Muzaffer Kaya was born in Çorum in 1968, and graduated from Mimar Sinan University, Faculty of Science and Literature, Department of Mathematics. Between 1993 and 2006, he worked as Human Resources Manager at TGRT. In 2006, he joined FOX TV as Human Resources Manager. In 2010, he became a manager in the Human Resources department of TGS Ground Handling Company, established as a joint venture by THY and TAV. Muzaffer Kaya started to work as Human Resources Manager at İhlas Holding in 2013, and has been serving as Human Resources Director since November 1, 2015.



İRFAN ARVAS

Social Affairs Director

Born in 1966 in Ankara, İrfan Arvas graduated from the Turkish Military Academy, Department of Mechanics, and served in the Turkish Armed Forces in various positions. Following his retirement, he worked at İhlas Holding group companies involved in tourism, organization, network marketing and construction. He served as Deputy Manager of the Secretarial Office from 2014 to 2013, and he is currently the Social Affairs Director of İhlas Holding.



MEHMET SELİM ARVAS

Information Systems Director

Born in 1978 in Istanbul, Mehmet Selim Arvas received his bachelor's degree in Management Information Systems from New York University. Between 1995 and 1999, he worked at TGRT and İhlas/Acer companies. Between 1999 and 2006, he worked at the New York University's Faculty of Business, Department of Administration, and also as a Director at Vintage Food Corporation. In 2006, he became a partner at NTG Transportation, and later worked at Atmaca Holding and İhlas Marketing in the Information Technologies Department. He also participated in the establishment of TGS Ground Handling Services, a subsidiary of Turkish Airlines. In 2013, he started working for İhlas Holding and has been serving as Information Systems Director since October 2014.

INDEPENDENT AUDITOR'S ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

ihlas Holding A.Ş. To: The Board of Directors

Opinion

We have audited the annual report of ihlas Holding A.Ş. (the "Company") and its affiliates (will be hereinafter referred jointly as the "Group") pertaining to the accounting period ending on 31 December 2018.

In our opinion, financial information in the Board of Directors' Annual Report, and the evaluations made by the Board of Directors on the Group's situation using the information in the financial statements; with all their important aspects; are consistent with the complete set of audited consolidated financial statements and the information we have obtained during our independent audit, and they reflect the facts.

Basis for the Opinion

Our independent audit was performed in conformity with the Independent Audit Standards ("IAS") that are part of the Turkish Audit Standards published by the Public Oversight, Accounting and Auditing Standards Authority ("KGGK"). Our responsibilities pursuant to these standards were explained in our report in detail in the section "Independent Auditor's Responsibilities Regarding the Independent Audit of the Annual Report." We hereby declare that we are independent from the Group, in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by KGGK and with the provisions on ethics stipulated in the regulations related to independent audit. We have also fulfilled other responsibilities stipulated in the Code of Ethics and effective laws and regulations. We believe that the independent audit clues we have obtained during the independent audit form a reasonable and sufficient basis for our opinions.

Our Auditor Opinion on the Full Set of Financial Statements

In our auditor's report dated 11 March 2019 which covers the full set of consolidated financial statements of the Group for the accounting period of 1 January 2018 - 31 December 2018, we provided an unqualified opinion.

Board of Directors' Responsibility for the Annual Report

According to the provisions of article 514 and 516 of the Turkish Code of Commerce ("TCC") numbered 6102, and the Capital Markets Board ("CMB") Communiqué on "Rules of Financial Reporting in Capital Markets" ("Communiqué") numbered II-14.1, the Group's Management is responsible with the following, related to the annual report:

- a) Preparing the annual report in three months following the balance sheet date, and presenting it to the general assembly of shareholders.
- b) Preparing the annual report in a way to reflect the Group's activities throughout the year and its financial position in all aspects, accurately, completely, straightforwardly, truthfully and honestly. In this report, financial position is evaluated according to financial statements. Additionally, the report clearly points out to the Group's development, and the potential risks that may be faced. Evaluations of the board of directors on these issues are also included in the report.

c) The annual report also includes the following:

- Events that have occurred after the end of the accounting year, which are of particular significance,
- The Group's research and development activities,
- Financial benefits provided to board members and senior executives such as wages, premiums, bonuses, allowances, travel, accommodation and entertainment expenses, in-kind and cash facilities, insurances and similar coverage items.

When preparing the annual report, the board of directors also considers the secondary regulations set forth by the Ministry of Customs and Trade and other related institutions.

Independent Auditor's Responsibility Regarding the Independent Audit of the Annual Report

Pursuant to the provisions of TCC and the Communiqué, our purpose is to present an opinion on whether the financial information in the annual report and the evaluations made by the board of directors using the information in the audited financial statements are consistent with the Group's audited consolidated financial statements and the information we have obtained during our independent audit, and whether they reflect the facts; and to issue a report conveying this opinion.

Our independent audit has been conducted in line with IAS's. These standards require that we comply with the provisions on ethics, and we plan and conduct the independent audit in a way that provides a reasonable assurance on whether the financial information in the annual report, and the evaluations made by the Board of Directors using the information in the audited financial statements are consistent with the financial statements and the information we have obtained during our independent audit, and whether they reflect the facts.

Istanbul, March 11, 2019

İrfan Bağımsız Denetim ve
Yeminli Mali Müşavirlik A.Ş.

SALİM AKGÜL, Certified Public Accountant (YMM)
Chief Auditor

ANNUAL REPORT OF THE BOARD OF DIRECTORS

İHLAS HOLDİNG A.Ş.

THE ACCOUNTING PERIOD OF 01.01.2018/31.12.2018

ANNUAL REPORT OF BOARD OF DIRECTORS

GENERAL INFORMATION

a) Period of the Report: Annual report for the period of January 1 - December 31, 2018

b) The Company's Trade Name, Trade Registry Number, Contact Information of The Headquarters and Branches if any, Website Address if any:

The Company's Trade Name: İhlas Holding Anonim Şirketi (Company)

Trade Registry Number: 176956

Website Address: www.ihlas.com.tr

Contact Information of the Headquarters and the Branches:

Merkez Mah. 29 Ekim Cad. İhlas Plaza No: 11 B/21, 34197 Yenibosna -Bahçelievler/İstanbul

Tel: 0 (212) 454 20 00 – Fax: 0 (212) 454 21 36-37

In addition to our headquarters, İhlas Holding A.Ş. legal entity has premises at nine locations being our education institutions, and one at a hospital. The following table indicates these premises.

Premises Name/Title	Address
Private İhlas Anatolian High School (Marmara)	Marmara Mah. Mudanya Cad. İhlas Marmara Evleri Sitesi İhlas Koleji Apt. No: 3 K/1 Beylikdüzü/İstanbul
Marmara Primary School	Marmara Mah. Mudanya Cad. İhlas Marmara Evleri Sitesi İhlas Koleji Apt. No: 2/1 Beylikdüzü/İstanbul
Yenibosna Primary School (İhlas Koleji)	Çobançeşme Mah. Fatih Cad. İhlas Koleji Sitesi No: 1 /2/2 Bahçelievler/İstanbul
Yenibosna High School (İhlas Koleji)	Çobançeşme Mah. Fatih Cad. No: 1 /1/1 Bahçelievler/İstanbul
Türkiye Hospital Şişli	Merkez Mah. Darülaceze Cad. Türkiye Gazetesi Hastanesi Apt. No: 14 -1/1 Şişli/İstanbul
Bizimevler 2 Kindergarten	Tahtakale Mah. Ayçiçeği Sok. No: 8 /10/9 Avcılar/İstanbul
Bizimevler 3 Kindergarten	Tahtakale Mah. Hanımeli Sok. No: 2 /1/1 Avcılar/İstanbul
Bizimevler 4 Private İhlas Bizimevler Primary School	Tahtakale Mah. Abdi İpekçi Cad. No: 1/1/1 Avcılar/İstanbul
Private İhlas Mehmet Yoluç Primary School- Middle School (Bizimevler-6)	Tahtakale Mahallesi Faruk Nafiz Çamlıbel Caddesi Bizimevler 6 sitesi 0 Apt. No: 2 /6 /1 Avcılar/İstanbul
Bizimevler 7 Kindergarten	Tahtakale Mahallesi Ahmet Hamdi Tanpınar Caddesi Bizimevler No: 2/ 4/0 Avcılar/İstanbul

c) The Company's organizational, capital and shareholding structure and the relevant changes during the period:

As of December 31, 2018, İhlas Holding's capital and shareholding structure is as follows:

Name/Title of the Shareholder	Share Rate	Share Amount
Publicly Traded Part	86.37%	682,674,283
Ahmet Mücahid Ören	10.58%	83,563,047
Other	3.05%	24,162,670
Total Capital	100.00%	790,400,000

ç) Explanations regarding the privileged shares, if any, and the voting rights of shares:

The Company's registered (authorized) capital is TRY 2,000,000,000.00. The registered capital comprises 200,000,000,000 shares, each with a nominal value of 1 Kr. The Company's issued capital is TRY 790,400,000.00. The issued capital comprises 79,040,000,000 bearer shares, each with a nominal value of 1 Kr.

TRY 790,355,000.00 of the issued capital is Group A bearer shares whereas the remaining TRY 45,000.00 is Group B bearer shares. The capital is fully paid-in and it has been distributed to the partners of the Company in proportion with their shares. Each of the partners of the Company, or their proxies, possess 1 voting right for each share they own or represent at the Ordinary and Extraordinary General Assembly meetings.

As of the date of 31.12.2018, the breakdown of the Holding's privileged shares (Group B shares) is as follows:

Name/Title of the Shareholder	Series	Group	Bearer/ Nominative	Quantity	Amount
Ahmet Mücahid Ören	I	B	Bearer	3,579,750	35,797.50
Ayşe Dilvin Ören	I	B	Bearer	542,250	5,422.50
İrfan Arvas	I	B	Bearer	378,000	3,780.00
Total				4,500,000	45,000.00

The Group (B) shareholders of the Company are privileged in the selection of the members of the board of directors. The article pertaining to the privileges included in the Articles of Association is provided below.

ARTICLE-9: PRIVILEGES

If the General Assembly of the Company decides that the Board of Directors consist of 5 people, at least 3 of the Members of the Board of Directors are selected among candidates nominated by group (B) shareholders. Similarly, at least 5 of the members are selected among those candidates if a board of 7 people is decided, at least 7 of the members are selected among those candidates if a board of 9 people is decided, and at least 9 of the members are selected among those candidates if a board of 11 people is decided.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

d) Information on the governing body, senior management and number of staff:

Board of Directors

Duty	Name Surname	Authorization	Term	
Chairman of the Board of Directors	Ahmet Mücahid Ören	Solely Authorized to Represent and Bind the Company	29.05.2018	2021
Deputy Chairman Executive Member in Charge of Construction	Zeki Celep	Jointly Authorized to Represent and Bind the Company	29.05.2018	2021
Member of the Board of Directors Executive Member in Charge of Financial Affairs	Abdullah Tuğcu	Jointly Authorized to Represent and Bind the Company	29.05.2018	2021
Member of the Board of Directors Executive Member in Charge of Legal Affairs	Abdurrahman Gök	Jointly Authorized to Represent and Bind the Company	29.05.2018	2021
Member of the Board of Directors	Mahmut Kemal Aydın	Jointly Authorized to Represent and Bind the Company	29.05.2018	2021
Member of the Board of Directors	Sedat Kurucan	Not Authorized to Represent and Bind the Company.	29.05.2018	2021
Member of the Board of Directors	Bülent Gençer	Not Authorized to Represent and Bind the Company.	29.05.2018	2021
Member of the Board of Directors Chairman of the Audit Committee	Necmi Özer	Independent Member – Not Authorized to Represent and Bind the Company.	29.05.2018	2021
Member of the Board of Directors Member of the Audit Committee Chairman of the Early Detection and Management of Risk Committee	Prof. Dr. Resul İzmirli	Independent Member – Not Authorized to Represent and Bind the Company.	29.05.2018	2021
Member of the Board of Directors Chairman of the Corporate Governance Committee	Prof. Dr. Hüseyin Hüsnü Gündüz	Independent Member – Not Authorized to Represent and Bind the Company.	29.05.2018	2021
Member of the Board of Directors Member of the Corporate Governance Committee Member of the Early Detection of Risk Committee	Ziya Burcuoğlu	Independent Member – Not Authorized to Represent and Bind the Company.	29.05.2018	2021
Member of the Board of Directors Chairman of the Corporate Governance Committee	Salman Çiftçi*	Independent Member – Not Authorized to Represent and Bind the Company.	29.05.2015	29.05.2018
Member of the Board of Directors Member of the Corporate Governance Committee Member of the Early Detection and Management of Risk Committee	İsmail Cengiz*	Independent Member – Not Authorized to Represent and Bind the Company.	29.05.2015	29.05.2018

*Members of the Board of Directors were Elected in the General Assembly Held on 29.05.2018 Pursuant to paragraph (g) of the article 4.3.6 of the Communiqué on Corporate Governance, Ziya Burcuoğlu and Hüseyin Hüsnü Gündüz were elected to replace Independent Board Members Salman Çiftçi and İsmail Cengiz, whose terms have ended. Other members were re-elected for a term of 3 years.

Senior Management

Name Surname	Duty
Ahmet Mücahid Ören	Chairman of the Board of Directors/Chairman of the Executive Board
Zeki Celep	Deputy Chairman (Executive Member in Charge of Construction)
Abdullah Tuğcu	Member of the Board of Directors (Executive Member in Charge of Financial Affairs)
Abdurrahman Gök	Member of the Board of Directors (Executive Member in Charge of Legal Affairs)
Mahmut Kemal Aydın	Member of the Board of Directors in Charge of Internal Audit
Yusuf Buğra Varlık	Deputy General Manager in Charge of Strategic Planning and Performance
Orhan Tanışman	Deputy General Manager in Charge of Budget, Reporting and Investor Relations
Bedri Yeltekin	Ihlas Educational Institutions Founder Representative and General Manager
Faruk Koca	Chief Physician of Türkiye Hospital
Ferruh Cilloşoğlu	Deputy General Manager in Charge of Administrative Affairs and Purchasing

Headcount of İhlas Holding A.Ş. and its affiliates is 2,589 as of the balance sheet date (31.12.2017: 2,901). 849 of these are employed within the Company (31.12.2017: 863).

Personnel expenses included in the total costs of İhlas Holding and its affiliates stood at TRY 226,689,593. In addition to their salaries, the employees are also provided with food and transportation between the workplace and their residences. Furthermore, vocational trainings are provided, in house or externally, in order to improve their professional knowledge and skills.

e) Information on the transactions, if any, carried out by the members of the governing body with the company on behalf of himself or other persons, within the framework of the permissions granted by the Company's General Assembly, and their activities within the scope of the prohibition of competition:

Within the framework of the permissions granted by the Company's General Assembly pursuant to Articles 395 and 396 of the Turkish Commercial Code, the members of the governing body have worked in the governing bodies of subsidiaries and affiliates.

REMUNERATIONS OF THE MEMBERS OF THE GOVERNING BODY AND THE SENIOR EXECUTIVES

a) The total amount of financial benefits provided such as honorarium, wages, premiums, bonuses and dividend:

Within the context of the Articles of Association, no payments are made to the Members of the Board of Directors other than the rights and benefits designated by the General Assembly. However, remunerations are paid to executive members of the Board of Directors for their executive duties. Although these criteria are not taken into account for the independent members, attention is paid to the protection of their independence level in the remuneration of the Independent Members of the Board of Directors.

In this respect, at the 2017 General Assembly Meeting held on 29.05.2018, it was decided to pay a gross monthly salary of TRY 3,000 to the Chairman of the Board of Directors, a gross monthly salary of TRY 2,500 to the Independent Board Members, a gross monthly salary of TRY 2,000 to the other Board Members of the Board of Directors as well as a gross salary of TRY 250 per meeting.

Total short term benefits provided to key personnel such as wages and attendance fees has been TRY 11,938,695 for the period of 01.01.2018-31.12.2018.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

b) Information on the total amount of allocated allowances, travel, accommodation and representation expenses, in-kind and cash resources, insurances and other warrants:

None.

RESEARCH AND DEVELOPMENT ACTIVITIES OF THE COMPANY

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş., one of the affiliates of İhlas Holding A.Ş., has research and development expenses for TRY 2,637,195 as of 31.12.2018. The Company's R&D Center was approved by the Ministry of Science, Industry and Technology on 14.04.2017. Innovative, high technology and high quality products are designed in this center, at lower costs.

THE COMPANY'S ACTIVITIES AND SIGNIFICANT DEVELOPMENTS RELATED TO THESE ACTIVITIES

a) Information on the investments made by the Company during the relevant accounting period:

The Group's investment expenditures for the period of 01.01.2018-31.12.2018 was TRY 22,685,190.

b) Information on the Company's internal control system and internal audit activities, and the opinion of the Governing Body on this issue:

In our company, the internal control system includes all the measures and methods accepted and applied in order to protect the plan and the assets of the business organization, investigate the correctness and reliability of the accounting information, enhance the efficiency of the activities, and encourage commitment to predetermined Corporate Governance policies.

Within the context of the Internal Audit activities, the control points are continuously investigated by the Internal Auditors in order that the internal control system, which is accepted as a basic Corporate Governance function contributing to the achievement of the Company's objectives, being embedded in the nature and in itself of all administrative activities, business, transactions and processes carried out, and including all control activities, ensures a more efficient and systematic structure.

Internal Audit Department is comprised of Mahmut Kemal Aydın, Serdar Altıntartı and Kadir Yiğit Eker. Internal audit is a consulting activity which helps provide an independent, objective assurance in order to evaluate whether or not the resources are used in accordance with the principles of economy, effectiveness and efficiency, and serves as a guide for adding value to, and developing the operations of, our Company.

In our Company, these activities are performed with a systematic, continuous and disciplined approach in accordance with generally accepted standards, to evaluate and improve the effectiveness of the management and control structures of the administrations, and risk management, management and control processes of their financial operations.

As can be understood from the definition of the internal audit, we can state that the first of its functions is to provide reasonable assurance, and the second is to provide a consulting service.

Assurance Function; Provides sufficient assurance, both inside and outside the organization, that there is an effective internal control system in the organization, the internal control system and the operational processes work effectively, the information produced is accurate and complete, the assets are protected, corruption and irregularities are prevented, and the activities are performed in an effective, and economical as well as efficient manner in compliance with the legislations.

Consultancy Function; Provides suggestions for the systematic and regular development and evaluation of activities and the processes for the achievement of the objectives of the administration.

Within this framework, the Internal Control system of İhlas Holding is tested every three months by means of questionnaires prepared by the Internal Auditors.

The results obtained at the end of the conducted studies are reported with Internal Audit Forms to the Audit Committee in the relevant periods.

Opinion of the Governing Body

Internal audit, which is carried out under the supervision of the Audit Committee, is a consulting activity which helps provide an independent, objective assurance in order to evaluate whether or not the resources are used in accordance with the principles of economy, effectiveness and efficiency, and serves as guide for adding value to, and developing the operations of, our Company. It is performed with a systematic, continuous and disciplined approach in accordance with generally accepted standards, to evaluate and improve the effectiveness of the management and control structures of the administrations, and risk management, management and control processes of their financial operations.

Due to the positive contribution of these activities carried out by the committees, Mr. Ömer Faruk Birpınar has participated in the internal audit staff in order that they can perform their studies even more effectively.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

c) Information on the Company's affiliates and subsidiaries including indirect investments and the Company's share rate in these:

Trade Name	Subject Matter	Paid-in/Issued Capital	The Company's Share (TRY) (Cost Value)	Currency	Effective Share Rate	The Company's Share Rate (%)	The Nature of the Relationship with the Company
İhlas Gazetecilik A.Ş.*	Newspaper Printing	120,000,000.00	11,273,024.20	TRY	31.32*	6.92	Affiliate
İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.*	Manufacturing and Marketing Electrical House Appliances	191,370,001.38	8,756,019.51	TRY	21.74*	4.43	Affiliate
İhlas Pazarlama A.Ş.	Electrical House Appliances Marketing	1,023,600,000.00	1,007,053,198.98	TRY	98.32	98.32	Affiliate
İhlas Haber Ajansı A.Ş.*	News Agency	14,000,000.00	-	TRY	45.11*	-	Affiliate
İhlas Yayın Holding A.Ş.*	Media	200,000,000.00	96,222,614.00	TRY	49.71*	49.71	Affiliate
Kuzuluk Kaplıca İnşaat Turizm Sağlık ve Petrol Ürünleri Ticaret A.Ş. (Kuzuluk Thermal Houses)	Thermal Bath Operation	14,000,000.00	200,000.00	TRY	95.01	1.43	Affiliate
İhlas Net A.Ş.	Internet Services	6,530,000.00	5,950,100.00	TRY	92.98	91.12	Affiliate
İhlas Motor A.Ş.	Automotive Services	49,000,000.00	135,400.00	TRY	95.03	0.28	Affiliate
TGRT Haber TV A.Ş.*	Television and radio broadcasting	32,000,000.00	-	TRY	49.45*	-	Affiliate
TGRT Dijital TV Hizmetleri A.Ş.*	Television and radio broadcasting	8,500,000.00	-	TRY	49.53*	-	Affiliate
Bisiklet Pazarlama ve Ticaret A.Ş.	Marketing bicycle, moped and automotive spare parts	75,000,000.00	-	TRY	96.65	-	Affiliate
İhlas Yapı Turizm ve Sağlık A.Ş. (İhlas Construction Tourism and Health Group)	Construction, installation works, contractor business, tourism and health investments	3,100,000.00	-	TRY	94.10	-	Affiliate
Cyprus Office	Marketing and Distribution	10.00	10.00	TRY	100.00	100.00	Affiliate
Armutlu Tatil ve Turizm İşl. A.Ş.	Thermal bath tourism activities (it is operating Armutlu Timeshare Holiday Resort.)	4,800,000.00	-	TRY	95.00	-	Affiliate
İhlas İnşaat Holding A.Ş. (İhlas Construction Group)	Construction Services	70,000,000.00	147,159,636.00	TRY	95.00	95.00	Affiliate
İhlas İnşaat Proje Taahhüt Turizm ve Tic. A.Ş.	Construction business	35,000,000.00	-	TRY	90.25	-	Affiliate
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	All kinds of advertisement and agency services	13,445,950.00	-	TRY	50.70	-	Affiliate

Trade Name	Subject Matter	Paid-in/Issued Capital	The Company's Share (TRY) (Cost Value)	Currency	Effective Share Rate	The Company's Share Rate (%)	The Nature of the Relationship with the Company
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.*	Preparing and marketing meals	860,000.00	-	TRY	21.74*	-	Affiliate
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.*	Domestic and international carriage, personnel transportation, warehouse operations	1,200,000.00	-	TRY	21.74*	-	Affiliate
İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Joint Venture	Construction activities	100,000.00	-	TRY	99.54	-	Affiliate
İhlas Marmara Evleri Ortak Girişimi Joint Venture	Construction activities	1,000,000.00	150,000.00	TRY	99.54	15.00	Affiliate
İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş.**	Construction activities	140,000,000.00	13,076,989.21	TRY	12.05**	9.75	Subsidiary
İhlas Dış Ticaret A.Ş.	Tourism investments and facilities	2,000,000.00	-	TRY	88.49	-	Financial Investment
Tasfiye Halinde İhlas Finans Kurumu A.Ş.	Financial Activities	10,000,000.00	5,032,962.50	TRY	55.23	50.27	Affiliate
Detes Enerji Üretim A.Ş.	Electrical power production	6,500,000.00	-	TRY	-	-	Financial Investment
İhlas Madencilik Enerji ve Ticaret A.Ş.	Mine Operations	7,700,000.00	2,073,500.00	TRY	16.96	11.24	Financial Investment
İhlas Belbeton Elemanları San. Tic. A.Ş.- Ulubol İnşaat Gıda Turz. San. Tic. Ltd. Şti. Joint Venture	Construction business	100,000.00	1,000.00	TRY	1.00	1.00	Financial Investment
Swiss PB AG	Financial Institution, Asset Management, Brokerage	371,102.64	726,365.00	TRY	0.44	0.44	Financial Investment
Doğu Yatırım Holding A.Ş.	Construction Services	875,000.00	12,500.00	TRY	1.43	1.43	Financial Investment

d) Information on the Company's acquisition of its own shares:

The Company hasn't acquired any of its own shares.

e) Information on the special audit and public scrutiny conducted during the accounting period:

Since the Company is a publicly traded company, it is subject to external independent audit twice a year (in June and in December).

ANNUAL REPORT OF THE BOARD OF DIRECTORS

f) Information on material lawsuits filed against the Company, which might have material impact on the Company's financial status and activities, and the possible outcomes of such lawsuits:

The brief information about lawsuits and court ordered debt collections related to the Group as of 31.12.2018 is as follows;

	Amount (TRY)
Outstanding lawsuits that are filed by the Group	17,292,189
Outstanding enforcement proceedings that are executed by the Group	21,879,183
Outstanding lawsuits that are filed against the Group	13,525,033
Outstanding enforcement proceedings that are executed against the Group	16,506,261

The Group reserved provision for the TRY 9,588,574 portion of the TRY 13,525,033 amount of ongoing lawsuits filed against the Group (given in the above table). On the other hand, no provision was reserved for the remaining amount of TRY 3,936,459 since it is highly possible to win the lawsuit.

g) Information about administrative or judicial sanctions imposed on the Company and the members of the governing body due to practices in violation of applicable legislation:

There has not been any administrative and judicial sanctions imposed on the Company and on the members of the Managerial Body, during the period between 01.01.2018 and 31.12.2018.

h) Information and assessments on whether the targets set in the previous periods are achieved, whether the resolutions of the general assembly are fulfilled, and the justifications if the targets failed to be achieved or the resolutions failed to be fulfilled:

The Company has achieved the targets set and the resolutions of the General Assembly have been fulfilled.

i) Information about the Extraordinary general assembly meeting including the date of meeting, resolutions taken in the meeting and the transactions performed in this regard if any extraordinary general assembly meeting is held within the year:

Extraordinary General Assembly meeting was not held within the period between 01.01.2018-31.12.2018.

j) Information about charitable donations made by the company during the year, and the expenses incurred within the framework of social responsibility projects:

There were no charitable donations made during the period between 01.01.2018 and 31.12.2018.

k) In the event that the company is affiliated with a group of companies; all legal transactions the company conducted in the previous activity year with the holding company, with a company dependent on the holding company, through the direction of the holding company that serves to its advantage or the advantage of its dependent company, and all other measures taken or refrained from being taken to the advantage of the holding company or of its dependent company:

The company is not a subsidiary of a group of companies.

l) In the event that the company is affiliated with a group of companies; pertaining to Article (k), in the circumstances and conditions known to the board at the time at which the company conducted the legal proceeding, or took or refrained from taking any measures, whether appropriate counter-performance in relation to each legal proceeding was obtained or not, and whether or not the company incurred any loss due to taking or refraining from taking the measure, and if the company incurred loss, whether or not the loss has been compensated:

The company is not a subsidiary of a group of companies.

FINANCIAL STATUS

a) Analysis and assessment of the management body with regard to the financial condition and activity results, degree of implementation of the planned activities, the position of the company against the targets determined:

As of 31.12.2018, consolidated balance sheet of İhlas Holding A.Ş. shows a net loss of TRY 38,591,140.

The Company carries out its activities as planned. Its bank loans are long-term loans. Within the scope of savings measures, if it is not deemed very necessary no foreign sources are used and no investments are made. On the other hand, particular emphasis is given on increasing revenue in the main field of activities; construction, education and health revenues.

b) In comparison with the previous years; information and future expectations regarding the company's sales, productivity, capacity for generating income, profitability, debt to equity ratio within the year and regarding other issues that may give idea about the results of the company's activities:

Consolidated Financial Statements Data

A) Balance Sheet	Independently Audited 31.12.2018	Ratio Analysis	Independently Audited 31.12.2017	Ratio Analysis
Current Assets	1,608,984,747	64.98%	2,062,215,760	76.16%
Fixed Assets	867,013,818	35.02%	645,546,094	23.84%
Total Assets	2,475,998,565	100.00%	2,707,761,854	100.00%
Short Term Liabilities	979,948,395	39.58%	1,465,243,669	54.11%
Long Term Liabilities	682,441,614	27.56%	414,196,651	15.30%
Shareholders' Equity	813,608,556	32.86%	828,321,534	30.59%
Shareholders' Equity of the Parent Company	520,005,741	21.00%	549,251,325	20.28%
Non-Controlling Shares	293,602,815	11.86%	279,070,209	10.31%
Total Liabilities	2,475,998,565	100.00%	2,707,761,854	100.00%

ANNUAL REPORT OF THE BOARD OF DIRECTORS

B) Income Statement	Independently Audited 31.12.2018	Ratio Analysis	Independently Audited 31.12.2017	Ratio Analysis
Turnover	1,273,608,432	100.00%	712,387,940	100.00%
Cost of Sales (-)	-1,029,319,771	-80.82%	-560,390,219	-78.66%
Gross Profit/Loss	244,288,661	19.18%	151,997,721	21.34%
Operating Expenses	-149,282,546	-11.72%	-139,773,965	-19.62%
Other Revenue from Real Operations	74,568,509	5.85%	145,080,785	20.37%
Other Expenses from Real Operations (-)	-114,413,914	-8.98%	-61,534,418	-8.64%
Profit/Loss from Real Operations	55,160,710	4.33%	95,770,123	13.44%
Revenue from Investment Activities	47,278,812	3.71%	16,247,398	2.28%
Expenses from Investment Activities (-)	-14,205,926	-1.12%	-16,523,614	-2.32%
Shares in the Profit/Loss of Equity Accounted Investments	-398,427	-0.03%	-581,297	-0.08%
Operating Profit/Loss Before Financial Expenses	87,835,169	6.90%	94,912,610	13.32%
Pre-Tax Profit/Loss from Continuing Operations	-14,850,909	-1.17%	28,036,577	3.94%
Tax Revenue/Expense from Continuing Operations	-17,751,376	-1.39%	7,178,094	1.01%
Discontinued Operations	0	0.00%	-	
After Tax Period Profit/Loss from Discontinued Operations	0	0.00%		
Period Profit/Loss	-32,602,285	-2.56%	35,214,671	4.94%
Breakdown of the Period Profit/Loss				
Non-controlling shares	5,988,855	0.47%	-7,531,249	-1.06%
Parent Company Shares	-38,591,140	-3.03%	42,745,920	6.00%

C) Ratios	31.12.2018	31.12.2017
Liquidity Ratios		
Current Ratio	1.64	1.41
Liquidity Ratio	1.04	0.85
Cash Ratio	0.04	0.01
Financial Structure Ratios		
Financial Leverage	0.67	0.69
Total Liabilities/Shareholders' Equity	0.98	0.50
Short Term Loans/Total Liabilities	0.40	0.54
Long Term Loans/Total Liabilities	0.28	0.15
Financial Debts/Shareholders' Equity	0.49	0.38
Financial Debts/Total Assets	0.16	0.12

c) Detections and evaluations of the governing body pertaining to whether or not the capital of the company is unreturned or debt-choked:

As a result of the analyses made on the equity group account items specified in the financial statements of the Company as of 31st of December 2018, it was seen that there was no loss of company capital or deep-in-debt situation.

The items included in the shareholders' equity account group are as follows:

	Independently Audited 31.12.2018	Independently Audited 31.12.2017
Shareholders' Equity	813,608,556	828,321,534
Shareholders' Equity of the Parent Company	520,005,741	549,251,325
Paid-in Capital	790,400,000	790,400,000
Premiums/Discounts Related to Shares	7,260,265	7,260,265
Other Accumulated Comprehensive Revenue or Expenses not to be Reclassified to Profit or Loss	86,004,462	76,327,966
Revaluation Increases/Decreases of Tangible Fixed Assets	92,827,143	80,654,433
Income/Loss from Assessment of Defined Benefit Plans	(6,754,993)	(4,333,402)
Other Comprehensive Income from Equity Accounted Investments not to be Classified as Profit or Loss	(67,688)	6,935
Specific Reserves Allocated from Profit	21,196,531	21,422,891
Other Reserves	(44,598,745)	(39,136,386)
Profit/Loss from Previous Years	(301,665,632)	(349,769,331)
Net Profit/Loss for the Period	(38,591,140)	42,745,920
Non-Controlling Shares	293,602,815	279,070,209

d) The measures, if any, considered to be taken in order to improve the financial structure of the company:

The company improves its financial structure by spreading the maturities of the bank loans to long terms and incurring liabilities in TRY or foreign exchange, in accordance with the circumstances observed in the general economic backdrop. Within the scope of savings measures, if it is not deemed very necessary no foreign sources are used and no investments are made. On the other hand, particular emphasis is given on increasing revenue in the main field of activities; construction, education and health revenues.

e) Information about the profit sharing policy and proposal, together with its justification, on how the undistributed profit shall be used if profit distribution is not be made:

Ihlas Holding A.Ş.'s dividend policy for 2013 and subsequent years, which has been amended pursuant to Articles 19 and 20 of the Capital Markets Law No. 6362, and to the Capital Markets Board's Communiqué on Dividend Distribution Numbered II- 19.1 and dated January 23, 2014, which was published referring to these Articles, to the Dividend Directory and the relevant provisions of the Articles of Association, will be submitted to the approval of the shareholders at the General Assembly Meeting of 2013 which held on May 30, 2014.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

THE DIVIDEND DISTRIBUTION POLICY

In order for the investors to obtain dividend income within the scope of the shareholders' expectations, Company's growth trend, profitability, strategic targets, investment projects and fund requirements required by the working capital, and within the framework of the Turkish Code of Commerce, Tax Procedure Law, Capital Markets Law and similar legislation and the provisions of the Articles of Association of our Company;

a) From the remaining amount after deducting the previous years' losses (if any) from the net profit in the balance sheet calculated after deducting the obligatory amounts – that must be paid and set aside as per the legislation and the provisions of the Articles of Association of our Company – from the profit for the period, legal reserve funds equivalent to 5% of the gross profit are set aside up to 20% of the company's paid in capital.

b) 5% is set aside as the first dividend over the amount calculated by adding any donations granted during the relevant fiscal year to the remaining amount.

c) The General Assembly has the right to decide to distribute dividends to the members of the Board of Directors, employees, foundations established for various purposes and similar organizations. However, unless all reserves required by law are set aside and the dividend determined for the shareholders as per these Articles of Association are distributed in cash and/or as gratis shares, it cannot be resolved to set aside other reserve funds, or to carry forward profit to the next year, or to distribute profit to the members of the Board of Directors, officers and other employees, foundations established for various purposes and similar persons and/or entities.

d) No rate has been determined for the dividend to be distributed to the members of the Board of Directors, employees, foundations established for various purposes and similar organizations. This decision will be made in accordance with the Capital Markets Law, Communiqué and policy decisions.

e) As for the remainder of the relevant net profit after deduction of the amounts referred to in sub-paragraphs (a), (b) and (c) hereof, the Board of Directors determines the ratio of dividend distribution by taking the benefits of the Company and the shareholders into consideration, and submits to the approval of the General Assembly. The General Assembly may accept the aforesaid proposal in kind or with amendments or reject it. It is always possible that the General Assembly can decide to distribute dividends at a higher rate than that proposed by the Board of Directors.

f) In case a dividend distribution decision is made, Company Board of Directors decides on the method of making the distribution in cash and/or in the form scrip issue, and presents to the approval of the General Assembly.

g) Dividend payments and relevant payment term is determined and presented to the opinion of the General Assembly by the Board of Directors. Dividend will be distributed to the shareholders within the statutory periods and by taking into consideration the legal regulations and the 31st Article of the Company's Articles of Association and at the date determined by the General Assembly following the Board of Directors' proposal and approval of the Shareholders' General Assembly.

h) If it is decided to distribute the dividend in cash, it can be paid in equal or varying installments provided that it is also decided by the General Assembly in which the dividend distribution was resolved. The number of installments shall be determined by the General Assembly or by the Board of Directors provided that it is expressly authorized by the General Assembly.

i) There are no privileges in the distribution of dividends. Dividends are distributed equally, regardless of the amount of existing shares or the existing shares' dates of issue and acquisition.

j) The Board of Directors may distribute dividend advance payments to the shareholders provided that it has been authorized by the General Assembly and that such payments are in compliance with the Capital Markets Law and the relevant Capital Markets Board regulations.

k) The total dividend advance to be paid in an accounting period may not exceed 50% of the previous fiscal year's profit. The authorization of dividend advance payment granted by the General Assembly to the Board of Directors is limited to the fiscal year in which such authorization is granted. No resolution can be made for the payment of an additional dividend advance and/or for dividend payment unless the dividend advance for the previous year is totally offset.

As of 31.12.2018, consolidated balance sheet of İhlas Holding A.Ş. shows a net loss of TRY 38,591,140. As per the laws, while the General Assembly has the authority to decide on making profit distribution or not, the Board of Directors has the power to present its proposal on this issue.

RISKS AND EVALUATION OF THE GOVERNING BODY

a) Information on the risk management policy, if any, that the company shall apply against the risks stipulated:

Collection Risk

Holding's collection risk is mainly based on its trade receivables. Trade receivables are evaluated by the Holding management in the light of past experiences and current market conditions and provisions for doubtful receivables are allocated at reasonable levels. A provision is allocated for doubtful receivables which will occur until the date of the report.

Exchange Rate Risk

Exchange rate risk arises from changes in the value of any financial instrument due to variations in exchange rates. Foreign currency risk occurs when there is a devaluation of TRY against foreign currencies.

Liquidity Risk

Liquidity risk refers to the risk of any enterprise encountering difficulty in raising funds in order to fulfil their commitments regarding financial instruments. Holding manages the liquidity risk by balancing the maturities of its assets and liabilities.

Customer Demand Risk

This is the type of risk which sources from changes in the priorities and preferences of the customer, and from failure in meeting customer demands effectively due to late recognition of the changes in the market.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

b) Information on the works and reports of the early detection and management of the risk committee, if established:

The Chairman of the Early Detection of Risk Committee is Prof. Dr. Resul İzmirli, accompanied by one member, Ziya Burcuoğlu.

Activities concerning Risk Management:

In the period of 01.01.2018 - 31.12.2018, taking into account the economic and political developments in Turkey and the world, the risks and ratings in all categories were updated and the risk log for 2017 was created. Discussions took place with the related managers for categories of Education, Health, Finance, Workforce, Knowledge and Strategic Management, and Investment. Strategies to mitigate risks, actions to be taken and target dates were updated. Additionally, discussions took place with the related managers for categories of Health, Education, Finance and Strategic Management, and Investment. Strategies to mitigate risks, actions to be taken and target dates were updated.

c) Future risks regarding sales, productivity, capacity for generating income, profitability, debt to equity ratio and other similar issues:

Under its own legal entity, the Holding is involved de facto only in the construction, health, education and domestic trade sectors. A global crisis, as well as a local crisis will have impacts on the Company. Consequently, collection risk, liquidity risk and exchange rate risk may be faced. In addition, changes in customer preferences and amendments in legislation may be a source of risk.

Construction Sector:

The company carries out construction activities under its own legal entity, subsidiaries or joint ventures. Necessary information on the projects in progress is provided in the ongoing projects section. As a result of the accounting technique in use, the profit and loss situation of the construction is recorded in the income statement after the construction is complete and all costs accrue.

In line with Turkey's 2023 targets and plan to shift to a strong economy, the construction sector expects a sustained and rapid increase in domestic demand. In addition, a rising population and increasing urbanization will always create more demand for housing.

	31.03.2018	30.06.2018	30.09.2018	31.12.2018
Construction Revenues	67,487,968	203,901,147	263,609,048	704,189,300

Education Sector:

İhlas Educational Institutions are serving at 8 urban areas, with 15 schools and a total workforce of 404 people -117 administrative staff and 287 teachers. By placing the teaching of basic human and universal values at the center of education, the institutions provide future generations with communication-focused foreign language skills, knowledge based on thinking and experience, and career-oriented guidance, not to mention a healthy social and physical development. In this manner, around 2.600 students are prepared for life every year.

İhlas Educational Institutions offer both administrators and students the Google Suite for Education program and Google Business Edition free of charge. Teachers are offered a cloud-based work platform to enable harmonious collaboration on documents produced in the school, in line with specific standards.

A strong internet infrastructure is established at all schools, to facilitate the tablet PC supported education applications. Classrooms and laboratories also have the necessary technology for 3 dimensional education, which turns the class sessions into an impressive experience with fun.

Furthermore, thanks to a special agreement covering all Microsoft software except Office products, teachers, students and administrators have free-of-charge access to these within the scope of Microsoft Imagine.

	31.03.2018	30.06.2018	30.09.2018	31.12.2018
Education Revenues	11,555,251	20,709,672	23,088,736	37,435,508

Health Sector:

Türkiye Newspaper Hospital, founded in 1991, carries out its activities through a human-centered perspective. The Hospital practices interventional diagnosis and treatment methods, with its 70 patient beds, 6 operation rooms, modernly equipped laboratories and diagnosis units. Türkiye Newspaper Hospital closely follows-up the technological developments in the sector. 62 specialists and 292 health and administrative staff handle a daily average of 600 polyclinic examinations, 800 inpatient treatments and 600 surgeries monthly.

Türkiye Newspaper Hospital is the first private hospital in Turkey entirely operated through an automation system. The Hospital closely follows all developments in technology and related legislation to ensure that patients' expectations are met in the best way possible, and also to meet requirements that arise as a result of healthcare industry developments. Türkiye Newspaper Hospital has integrated all major healthcare applications, such as the sağlık.NET data transmission system, e-prescription, and e-report, into its information management system. The Hospital has also set up the Picture Archiving and Communication System (PACS), which enables radiological images such as X-ray, MRI and BT to be transmitted, evaluated and stored digitally.

All services at the Türkiye Newspaper Hospital are organized in line with the Hospital's motto, "Feels Like Home." To continuously evaluate patient satisfaction, the Hospital launched an Automatic Voice Appointment Reminder System; as well, the Q-Buton system was implemented to measure and report patient satisfaction and employee performance levels. Thanks to the Q-Buton system, patients can immediately submit their assessment of services. These assessments are analyzed in a timely manner, to meet patient expectations at the highest level.

The TS EN ISO 9001:2008 Quality Certificate obtained in 2004 was later extended with certificates received from MEYER and TÜV. In 2013, the Turkish Ministry of Health evaluated and approved the Service Quality Standards of Türkiye Newspaper Hospital. The Hospital won the "LOB Europe Consumer Award" at the 2013 Leaders of Branding Intelligence Awards held in Frankfurt, Germany. In 2015, the Hospital was recognized with the Gold Brand Award by the Consumer Protection Association (TTKD), as the health sector brand with the fewest customer complaints according to a survey conducted by TTKD.

In 2016, the Ministry of Health inspected our hospital and assigned a quality rating of 96.96%.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Ophthalmic and Lasik Surgery Unit at Türkiye Newspaper Hospital is among the leading eye centers in Turkey.

In Türkiye Gazetesi Hospital, all diagnoses and treatments are performed with modern methods in the Internal and Surgical Medicine departments, including Internal Medicine, Allergy and Respiratory Diseases, Gastroenterology, Neurology, Dermatology, Physical Treatment and Rehabilitation, Nutrition and Dietetics, Cardiovascular Surgery, Cardiovascular Surgery, Cardiology, General Surgery, Pediatric Surgery, Anesthesiology and Reanimation, Orthopedics and Traumatology, Ear Nose and Throat, Plastic Surgery and Reconstruction Surgery, Urology, Obstetrics and Gynecology, Pediatric Health and Diseases, and Dental and Oral Surgery, Psychology, Psychiatry, Child Psychiatry, Neuro-Psychiatry, Ophthalmology, Retina, Brain and Neurosurgery, Gynecology and Perinatology, Radiology, Pediatric Cardiology, Pediatric Neurology, Rheumatology, Algology.

The Hospital continuously improves the services it offers in other fields of medicine including Obstetrics, Perinatology, Pulmonology, Radiology, Physiotherapy, Pediatrics, and Child and Adolescent Psychology. Türkiye Newspaper Hospital continues to expand its medical staff with the addition of new specialist physicians, and to refurbish the patient rooms at its historic building by protecting its historic character.

In 2016, the Radiology, Pediatric Cardiology, Pediatric Neurology, Rheumatology and Algology branches were opened, and social areas were created within the health services departments and in the Hospital garden, in consideration of the needs and comfort of patients. A pregnancy school was inaugurated to serve pregnant women. In addition, professional hairdressing and photography services were launched to serve pregnant women during and after birth.

Internal training programs were organized to further increase employee loyalty, to foster goal-orientation and improve efficiency, and to offer higher quality services.

Additionally, Türkiye Newspaper Hospital initiated investments to promote health tourism, which presents a significant potential for Turkey and is incentivized by the government. To that end, the Hospital established an International Patient Relations Department and developed special health programs geared towards meeting the healthcare needs of European, Asian and African countries.

	31.03.2018	30.06.2018	30.09.2018	31.12.2018
Health Revenues	21,348,803	40,346,346	58,640,891	85,062,695

OTHER MATTERS

Issues that have significant impacts on Financial Statements or other issues that must be explained to make the Financial Statements more clear, interpretable and understandable

Approval of consolidated financial statements

The consolidated financial statements dated 31.12.2018 were approved by the Board of Directors and authorization was granted to publish them on the 11th of March 2019. Only the General Assembly is authorized to make changes to the consolidated financial statements after they are published by the partners of the Group or by third parties.

Information Regarding Ongoing Construction Projects

The Group continues work on a construction project (Kristal Şehir Housing Project or Crystal City) in Istanbul's Esenyurt district, city block 1088, plot 1, across a total area of 142,796.98 m² in collaboration with the Group company İhlas Construction Project Contracting Tourism and Commerce. This project spanning 18 blocks consists of 4,655 housing units and 82 offices, as well as social facilities. Total construction area is 638.454,48 m², including areas of common use. The Holding will construct 36.675,89 m² of the project area on a flat for land basis, and 28.75% of this area, namely 322 housing units and 6 offices are given to Esenyurt Municipality in return for the land. In this area, the Holding will have the remaining 798 housing units. The construction of the blocks in this area is complete.

As for the remaining 106.121,09 m² of the project, the Group company İhlas Construction Project Contracting Tourism and Commerce continues to construct units on a flat for land basis. Of this area, 1,123 housing units and 23 offices will be given to the landowners in return for the land. Out of this part of the project, İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş. will have 2,412 housing units and 53 offices. As of 31.12.2018, approximately 99% of this part is completed, which is being built by İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş. Out of the independent units owned by the Group, 2,993 housing units and 51 offices were sold in return of advance payments. As of 31.12.2018, 1,884 housing units and 29 offices were delivered, and their invoices were issued. As the construction is completed, other units which were sold in return of advance payments will be delivered and invoiced as well.

Bizim Evler Housing Project 7 is developed in Avcılar-İspartakule, Istanbul by İhlas Construction, Tourism and Health on a flat for land basis, where 41% of the revenue will be left to the landowner. The construction of the project was handed over to a contracting firm on a revenue sharing basis, with 45% of the proceeds going to the Company. 532 housing units and 48 offices were built in this project. As of 31.12.2018, 499 housing units and 37 offices were sold in return for advance payment, corresponding to 92.5% of all independent units of the project.

The Company has decided to construct 450 accommodation units, 1 therapy center, and 1 administrative building over a 62,775 m² of land in Yalova province, Armutlu district, city block 548, plot 2, that it owns. The construction will be undertaken by a contracting firm on a revenue sharing basis, with 25% of the proceeds going to the Holding and the remaining 75% to the contracting company in return for construction costs. The administrative building and therapy center will belong to the Holding. The contracting company is Armutlu Holiday Resort Joint Venture/Ordinary Partnership. Under this contract, the construction was completed on 19.11.2018, and building use permit was obtained. As of 31.12.2018, 450 housing units of the project were sold in return for advance payment, and invoices were issued.

The Group Companies İhlas Marketing and İhlas Construction, Tourism and Health have reached an agreement for the development of a plot of 92,293 m² situated in Istanbul's Büyükçekmece district, Güzelce neighborhood, city block 498, plot 1, on the basis of a Revenue Sharing and Flat for Land basis. Construction works have started, after obtaining the necessary permits from the authorities. As of 31.12.2018, approximately 38% of the project was completed, and 204 housing units and 19 offices were sold, corresponding to 27% of all independent units of the project. The project includes the construction of 709 housing units and 111 units for commercial purposes, and it is planned to be completed during the year 2020.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

İhlas Yapı Turizm Sağlık Ticaret A.Ş. (İhlas Yapı), a Group company, entered into a contract with Gaziosmanpaşa İnşaat Yatırım Taahhüt Hizmetleri Sanayi ve Ticaret A.Ş., a company owned by the Gaziosmanpaşa Municipality. The subject matter of the contract is developing and constructing an urban transformation project under the law numbered 6306, in Istanbul province, Gaziosmanpaşa district, on an area of 988,000 m², covering Karayolları and Yenimahalle. İhlas Yapı paid the USD 3,000,000 amount which was the prerequisite for the contract to become effective. According to the contract, the related municipality and municipal company shall make the necessary agreements with rights holders and hand over the empty site to İhlas Yapı. Our affiliate fully complies with the conditions of the contract, and waits for the Municipal Administration and the Administration's company to deliver the construction area, under the conditions of the contract. Following the delivery of the construction area, as a result of the works to be developed on this project, the Group shall leave a maximum of 40% of the construction to the right holders and the municipal company. The construction of the remaining 60% shall be evaluated by İhlas Yapı. İhlas Yapı will carry out the project in phases that will be specified in its discretion, considering the size of the said area.

İhlas Marmara Evleri Joint Venture, a Group Company, entered into a contract with Kiler Gayrimenkul Yatırım Ortaklığı A.Ş. and other real persons. Under this contract, housing units and offices will be constructed, sold and marketed by the Joint Venture, and revenues will be shared with the contract parties. The area of the project includes a 1,430 m² land owned by İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. on the parcel numbered 484 and lot numbered 17, and a 31,309 m² land owned by contract parties on the parcel numbered 482 and lot numbered 8, and another 32,477.46 m² land owned by the contract parties, on the parcel numbered 484 and lot numbered 17. These pieces of land are in Istanbul province, Beylikdüzü District, Yakuplu. The construction for this project started in 2017. The project will have two phases, the south phase (parcel 482, lot 8), and the north phase (parcel 484, lot 17). The south phase is planned to be completed in 36 months, and the north phase in 40 months. 1,321 housing units and 64 units for commercial purposes will be built within the scope of the project. As of 31.12.2018, approximately 29% of the north phase is built. 166 housing units and 7 offices were sold, corresponding to 25% of all independent units of the project. The north phase is comprised of 640 housing units and 44 offices.

Related Party Disclosures

A. Current account balances (net book values) of the Group with its shareholders, key personnel and with the certain companies that it has indirect capital, management and business relationships through its shareholders, as of the dates 31.12.2018 and 31.12.2017 are presented below:

	31.12.2018			
	Accounts Receivable	Accounts Payable	Advances Given to Suppliers	Advances Received
İhlas Dış Ticaret A.Ş.	632,291	10,074	-	-
Net İletişim Teknoloji A.Ş.	494,938	144,302	1,406,038	-
Tasfiye Halinde İhlas Finans Kurumu A.Ş.	114,326	-	-	-
Detes Enerji Üretim A.Ş.	25,924	186,339	-	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	55,196	8,962,886	-	19,569,515
Antalya İmar Ltd. Şti.	27,240	291,332	-	-
Other	2,013	20,018	6,708	983,574
Total	1,351,928	9,614,951	1,412,746	20,553,089

	31.12.2017			
	Accounts Receivable	Accounts Payable	Advances Given to Suppliers	Advances Received
İhlas Dış Ticaret A.Ş.	567,247	12,550	-	-
Net İletişim Teknoloji A.Ş.	232,714	82,057	1,341,735	-
Tasfiye Halinde İhlas Finans Kurumu A.Ş.	153,820	-	-	-
Detes Enerji Üretim A.Ş.	18,706	211,503	-	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	24,955	3,458,707	-	10,840,947
Antalya İmar Ltd. Şti.	8,413	364,159	-	-
Other	12,155	300,055	-	195,953
Total	1,018,010	4,429,031	1,341,735	11,036,900

Shareholders and Senior Executives	Other Receivables	
	31.12.2018	31.12.2017
Real persons	26,831	-
Total	26,831	-

Shareholders and Senior Executives	Other Liabilities	
	31.12.2018	31.12.2017
Osman Çardak	-	250,000
Dursun Şahin	695,000	185,000
Other	434,136	-
Total	1,129,136	435,000

B) Sales and purchases of goods, services, advertising, rent, interest and fixed assets of the Group with its shareholders, and with the certain companies that it has indirect capital, management and business relationships through its shareholders, within the periods 01.01-31.12.2018 and 01.01-31.12.2017 are presented below:

	01.01-31.12.2018	
	Sales	Purchases
Net İletişim Teknoloji A.Ş.	262,575	84,195
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	3,723,193	7,029,336
Antalya İmar Ltd. Şti.	63,200	1,180,000
Tasfiye Halinde İhlas Finans Kurumu A.Ş.	76,223	-
İHA GmbH Germany	651,984	147,891
Other	734,663	477,930
Total	5,511,838	8,919,352

ANNUAL REPORT OF THE BOARD OF DIRECTORS

	01.01-31.12.2017	
	Sales	Purchases
Net İletişim Teknoloji A.Ş.	280,194	17,187
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	3,284,088	3,218,210
Antalya İmar Ltd. Şti.	47,902	-
Tasfiye Halinde İhlas Finans Kurumu A.Ş.	40,718	-
Other	897,905	909,551
Total	4,550,807	4,144,948

	01.01-31.12.2018	
	Interest revenue	Interest expense
Net İletişim Teknoloji A.Ş.	308,604	-
İhlas Dış Ticaret A.Ş.	113,076	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	1,126,362	1,469,878
Other	4,451	-
Total	1,552,493	1,469,878

	01.01-31.12.2017	
	Interest revenue	Interest expense
Net İletişim Teknoloji A.Ş.	117,212	-
İhlas Dış Ticaret A.Ş.	55,728	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	9,784	250,864
Other	4,922	-
Total	187,646	250,864

	01.01-31.12.2018	
	Lease revenues	Lease expenses
Net İletişim Teknoloji A.Ş.	186,558	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	170,645	13,440
Other	106,953	145,550
Total	464,156	158,990

	01.01-31.12.2017	
	Lease revenues	Lease expenses
Net İletişim Teknoloji A.Ş.	183,396	17,461
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	16,975	428,400
Other	43,860	82,988
Total	244,231	528,849

	01.01-31.12.2018	
	Fixed Asset Sales	Fixed Asset Purchases
Net İletişim Teknoloji A.Ş.	-	222,773
Other	33,899	3,750
Total	33,899	226,523

	01.01-31.12.2017	
	Fixed Asset Sales	Fixed Asset Purchases
Net İletişim Teknoloji A.Ş.	-	490,522
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	-	100,000
Other	748	-
Total	748	590,522

Due to the fact that all purchases - sales, rental income - expenses, interest income – expenses, and all other purchases and sales, arising from the Group's associate companies that were included in the consolidation, were eliminated during consolidation process, they are not presented in the consolidated financial statements.

C) Key executive personnel refers to those individuals with direct or indirect authority and responsibility to plan, manage and control the Group's operations, including any manager of the Group (administrative or other) and there are two types of benefits provided. Short-term benefits consist of wages, social security contributions, bonuses, compensated absences and honorarium. These kinds of short term benefits are recorded in the account "Payables for the Benefits Provided to Employees." Benefits arising in case of firing employees are the Group's severance pay obligation. These types of benefits are reported under "Provisions for Employee Benefits."

The total amount of the short-term benefits such as wages, honorarium etc. granted to the key personnel within the period of 01.01 - 31.12.2018 is TRY 11,938,695 (01.01 - 31.12.2017: TRY 10,052,792); whereas the amount of the total benefits (compensation) that will be granted to the key executive personnel in the event of their resignation within the period of 01.01 - 31.12.2018 is TRY 5,233,844 (01.01 - 31.12.2017: TRY 3,434,273).

Within the periods of 01.01 - 31.12.2018 and 01.01 - 31.12.2017, long-term benefits were not granted to the Group's key executive personnel.

Within the period of 01.01-31.12.2018, TRY 39,221 (01.01-31.12.2017: TRY 889,328) of benefits such as wages, honorarium, etc. were granted to the Group's key executive personnel who left the job or the position.

No share-based payments are made.

INFORMATION ON CORPORATE GOVERNANCE MATTERS

The Structure and Composition of the Board Directors

Members were elected to the Board of Directors to serve for 3 years on May 29, 2018 General Assembly. The report prepared by the Corporate Governance Committee (which has also undertaken the responsibilities of the Nomination Committee) on whether or not the candidates for independent membership of the Board of Directors meet the independence criteria, dated March 26, 2018, was submitted to the Board of Directors on March 28, 2018.

All Independent Members of the Board of Directors have satisfied the independence criteria.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Independent Members of the Board are; Prof. Dr. Hüseyin Hüsnü Gündüz, Ziya Burcuoğlu, Necmi Özer and Prof. Dr. Resul İzmirli. Their statements of independence are presented below.

Statement of Independence, Prof. Dr. Hüseyin Hüsnü Gündüz

a) I hereby declare that in the last five years, I, my spouse or my relatives by blood or marriage to the second degree have not been employed by İhlas Holding as key management personnel, have not had ordinary or privileged shares exceeding 5% personally or collectively, or have not been involved in any material business dealings with İhlas Holding, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all legal entities controlled by those shareholders.

b) In the last five years, I have not been employed as an executive with significant duties and responsibilities or a board member, or have held shares exceeding 5% of any entity with a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit), rating or consulting services, or purchase or sales of goods and services, during the periods when such goods and services were purchased or sold.

c) I possess the professional skills, knowledge and expertise to appropriately fulfill my duties as an independent board member,

d) After my election as a Member, I will not work full time at a public institution, except as faculty member at a university,

e) I am deemed to be a resident of Turkey according to Income Tax Law No. 193 dated 31.12.1960,

f) I possess strong ethical standards, professional reputation and experience for contributing positively to the operations of the Company, maintaining my objectivity in conflicts of interest between the Company and its shareholders, freely taking decisions in due consideration of the rights of the stakeholders,

g) I will dedicate enough time to oversee the activities of the Company and to fully perform my responsibilities,

h) I have not been a board member of the Company for more than six years within last ten years,

i) I am not an independent board member at more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed in Borsa İstanbul in total.

20.03.2018

Statement of Independence, Ziya Burcuoğlu

a) I hereby declare that in the last five years, I, my spouse or my relatives by blood or marriage to the second degree have not been employed by İhlas Holding as key management personnel, have not had ordinary or privileged shares exceeding 5% personally or collectively, or have not been involved in any material business dealings with İhlas Holding, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all legal entities controlled by those shareholders.

b) In the last five years, I have not been employed as an executive with significant duties and responsibilities or a board member, or have held shares exceeding 5% of any entity with a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit), rating or consulting services, or purchase or sales of goods and services, during the periods when such goods and services were purchased or sold.

c) I possess the professional skills, knowledge and expertise to appropriately fulfill my duties as an independent board member,

d) After my election as a Member, I will not work full time at a public institution, except as faculty member at a university,

e) I am deemed to be a resident of Turkey according to Income Tax Law No. 193 dated 31.12.1960,

f) I possess strong ethical standards, professional reputation and experience for contributing positively to the operations of the Company, maintaining my objectivity in conflicts of interest between the Company and its shareholders, freely taking decisions in due consideration of the rights of the stakeholders,

g) I will dedicate enough time to oversee the activities of the Company and to fully perform my responsibilities,

h) I have not been a board member of the Company for more than six years within last ten years,

i) I am not an independent board member at more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed in Borsa İstanbul in total.

20.03.2018

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Statement of Independence, Necmi Özer

a) I hereby declare that in the last five years, I, my spouse or my relatives by blood or marriage to the second degree have not been employed by İhlas Holding as key management personnel, have not had ordinary or privileged shares exceeding 5% personally or collectively, or have not been involved in any material business dealings with İhlas Holding, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all legal entities controlled by those shareholders.

b) In the last five years, I have not been employed as an executive with significant duties and responsibilities or a board member, or have held shares exceeding 5% of any entity with a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit), rating or consulting services, or purchase or sales of goods and services, during the periods when such goods and services were purchased or sold.

c) I possess the professional skills, knowledge and expertise to appropriately fulfill my duties as an independent board member,

d) After my election as a Member, I will not work full time at a public institution, except as faculty member at a university,

e) I am deemed to be a resident of Turkey according to Income Tax Law No. 193 dated 31.12.1960,

f) I possess strong ethical standards, professional reputation and experience for contributing positively to the operations of the Company, maintaining my objectivity in conflicts of interest between the Company and its shareholders, freely taking decisions in due consideration of the rights of the stakeholders,

g) I will dedicate enough time to oversee the activities of the Company and to fully perform my responsibilities,

h) I have not been a board member of the Company for more than six years within last ten years,

i) I am not an independent board member at more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed in Borsa İstanbul in total.

20.03.2018

Statement of Independence, Prof. Dr. Resul İzmirli

a) I hereby declare that in the last five years, I, my spouse or my relatives by blood or marriage to the second degree have not been employed by İhlas Holding as key management personnel, have not had ordinary or privileged shares exceeding 5% personally or collectively, or have not been involved in any material business dealings with İhlas Holding, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all legal entities controlled by those shareholders.

b) In the last five years, I have not been employed as an executive with significant duties and responsibilities or a board member, or have held shares exceeding 5% of any entity with a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit), rating or consulting services, or purchase or sales of goods and services, during the periods when such goods and services were purchased or sold.

c) I possess the professional skills, knowledge and expertise to appropriately fulfill my duties as an independent board member,

d) After my election as a Member, I will not work full time at a public institution, except as faculty member at a university,

e) I am deemed to be a resident of Turkey according to Income Tax Law No. 193 dated 31.12.1960,

f) I possess strong ethical standards, professional reputation and experience for contributing positively to the operations of the Company, maintaining my objectivity in conflicts of interest between the Company and its shareholders, freely taking decisions in due consideration of the rights of the stakeholders,

g) I will dedicate enough time to oversee the activities of the Company and to fully perform my responsibilities,

h) I have not been a board member of the Company for more than six years within last ten years,

i) I am not an independent board member at more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed in Borsa İstanbul in total.

20.03.2018

ANNUAL REPORT OF THE BOARD OF DIRECTORS

BIOGRAPHIES OF MEMBERS OF THE BOARD OF DIRECTORS

Ahmet Mücahid Ören

A. Mücahid Ören was born in Istanbul in 1972. He has graduated from Anadolu University, Faculty of Economics. Between the years of 1989 and 1991, he has worked as the Information Technology Coordinator for Türkiye Newspaper. During his post, he made the newspaper to be one of the first publications in Turkish media industry that is prepared in the computer environment. During the same period, he has also assumed the role of an Advisory Editor for Türkiye Çocuk, which is a magazine for children. In 1991, he was the General Manager for TGRT TV channel. He managed the infrastructure activities of the channel, which led to the Channel beginning broadcasting. Between 1993 and 2013, he has taken the posts of General Manager and Deputy Chairman at İhlas Holding. In 2013, he was elected as the Chairman of the Board of İhlas Holding. A. Mücahid Ören has published numerous articles, and is a member of various international professional organizations and think tanks including the International Academy of Television Arts and Sciences, the Atlantic Council, the Foreign Economic Relations Board of Turkey (DEİK), the Turkish American Business Council and World Economic Forum.

Zeki Celep

Born in 1939, Zeki Celep graduated from Gazi Institute of Education and Ankara University Faculty of Law. For a period of time, he was an officer in Turkish Armed Forces. Between 1966 and 1972, he took managerial roles in Işık Kitabevi (a publishing house) and Sabah Newspaper. Between 1972 and 1988, he incorporated İtimat İnşaat Ltd. Şti. and Antalya İmar Ltd. Şti, and started dealing with the construction business. He has carried out various local and overseas projects, including Antalya İller Bank Regional Office Compound and Antalya Airport and terminal building. In 1990, Zeki Celep initiated the construction business of İhlas Holding. Currently, he is the Chairman of the Board for İhlas Yapı Turizm ve Sağlık A.Ş., and a Board Member for İhlas Holding A.Ş.

Abdullah Tuğcu

Born in 1982, Kayseri, Abdullah Tuğcu graduated from Istanbul University Faculty of Business Administration. He obtained his postgraduate degree in Marmara University Finance Department, in the field of Financial Law. Joining İhlas Group in 2008, Tuğcu was assigned as İhlas Yayın Holding Finance Coordinator in 2013, and İhlas Holding Deputy General Manager in Charge of Finance in 2014. In 2015, he also assumed the responsibility of İhlas Holding Financial Affairs Department. Currently, he is the Deputy General Manager in Charge of Financial Affairs and the Executive Member in Charge of Financial Affairs for İhlas Holding. He is also holding board membership positions in İhlas Holding group companies. Abdullah Tuğcu has the SMMM (Independent Accountant and Financial Advisor) license, and he is a member of Istanbul Chamber of Certified Public Accountants (İSMMMÖ), and Corporate Governance Association of Turkey (TKYD).

Abdurrahman Gök

He was born in Gaziantep in 1966. He graduated from Istanbul University Faculty of Law in 1986, and then became a lawyer in 1987. He has provided legal advisory services to television and radio channels. He wrote articles on legal issues for a national newspaper for five years, specializing in Real Estate Law, Financial Criminal Law and Tax Law. Since 2012, Gök has been the Legal Counsel and a Board Member for İhlas Holding.

Mahmut Kemal Aydın

M. Kemal Aydın was born in Kastamonu in 1957. He has graduated from Istanbul Academy of Economics and Commercial Sciences. Between 1976 and 1982, he has worked as the Chief Accountant for the Finance Department of Istanbul University Cerrahpaşa Medical Faculty. Between 1985 and 1989, he worked for the Ministry of Labor and Social Security, as an Auditor in the Labor Audit Department. Aydın started to work for İhlas Holding in 1989. In the years of 1993 and 1994, he participated in the public offering process of İhlas Holding A.Ş.

From 1998 until 2015, he served İhlas Holding as Executive Director in charge of Financial Affairs and Assistant General Manager. As of 24 December 2015, Mahmut Kemal Aydın has been a Board Member of İhlas Holding.

Bülent Gençer

Born in Istanbul in 1941, Bülent Gençer completed Turkish Military Academy in 1962 and started to serve in Turkish Armed Forces. In 1964, he graduated from Çapa Institute of Education, Science Department. In 1966, he retired from his post as an officer in the Armed Forces, and started to work as a teacher. In this period, he also studied at Istanbul Academy of Economics and Commercial Sciences, and graduated in 1969. That same year, he joined İhlas Group and went on to serve in different posts.

Prof. Dr. Hüseyin Hüsnü Gündüz

He was born in Bingöl-Kığı in 1947, and graduated from the Faculty of Agriculture of Ankara University. Starting his career in academia in 1973, Gündüz instructed at many universities. His latest post in academia has been the rector position in Istanbul Yeni Yüzyıl University.

Ziya Burcuoğlu

He was born in Gönen in 1942, graduated from the Military Academy and became a staff captain. Then, he was also trained at the military academy in Paris, France. He took a post in the opening of the first military attaché office in Tunisia. He took various posts within Turkish Armed Forces organization, and he retired at the rank of staff colonel.

He has written and published many books on history.

Necmi Özer

He was born in Safranbolu-Karabük in 1960 and graduated from Selçuk University Faculty of Education. Starting in 1986, he has taken managerial roles at various companies. Since 2006, he has been holding senior positions at companies providing services and training in the area of quality standards. Since 2011, he has been the partner of a company providing services in quality and branding areas.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Sedat Kurucan

Kurucan was born in 1960 in Ordu, completed primary school in Ordu, and then graduated from Bursa Mustafakemalpaşa Junior High School and Çanakkale-Gökçeada Atatürk High School for Training Teachers. In 1982, he graduated from Istanbul Technical University, Faculty of Mechanical Engineering as a Mechanical Engineer. He received his master's degree from Eskişehir Osman Gazi University on gas turbines. He then worked six years at Turkish Air Forces' Eskişehir Airplane Engine Maintenance Factory. At Eskişehir TUSAŞ F16 Engine Factory, he worked for the US Secretary of Defense for 11 years in the field of Contract and Quality Management, and retired in 1999. He can speak English, and beginner level French.

Prof. Dr. Resul İzmirli

İzmirli was born in 1946 in İzmir. He graduated from Ege University Faculty of Agriculture, and then started to work as an assistant at the same university, in the Economics and Business Department.

He went to Germany for PhD studies, and completed his doctorate in the subject of Cooperative Organizations at Giessen-Justus-Liebig University.

He became an assistant professor in 1981, an associate professor in 1991, and a professor in 2009. İzmirli has various papers published in peer-reviewed academic journals.

Currently, he is the department head at Yeni Yüzyıl University, Faculty of Health Sciences. İzmirli can speak English and German.

Salman Çiftçi

Salman Çiftçi was born in Sivas in 1971. He graduated from Uludağ University, Faculty of Economics and Administrative Sciences, Economics Department in 1993. He worked as a finance manager at various companies in the private sector. Currently, he is working at KRP Highway Construction Joint Venture.

He has an Independent Accountant and Financial Advisor license, and certificates on the new Turkish Code of Commerce and SME IFRS. (He was elected as a board member at the General Assembly held on 29.05.2018. He completed his term as an independent board member, pursuant to paragraph (g) of the article 4.3.6 of the Communiqué on Corporate Governance.)

İsmail Cengiz

He was born in Sarıkamış in 1957. He graduated from Eskişehir Academy of Economics and Commercial Sciences in 1979, and started to work for Dadaş Bookstore in Erzurum in 1981. Afterwards, he worked as the Financial Affairs Responsible at various business entities. In 2006, he acquired shares from BDK Yapı Laboratory in Çerkezköy/Tekirdağ, and sold these shares in 2012. (He was elected as a board member at the General Assembly held on 29.05.2018. He completed his term as an independent board member, pursuant to paragraph (g) of the article 4.3.6 of the Communiqué on Corporate Governance.)

The Company does not impose any rules or restrictions on the members of the Board of Directors pertaining to assuming additional duties outside of the Company.

The members of the Board of Directors serve as members or executives in Group companies.

The Duties of Members of the Board of Directors outside the Company;**Ahmet Mücahid Ören**

Ihlas Yayın Holding A.Ş. (Ihlas Media Holding)	Chairman of the Board of Directors
--	------------------------------------

Zeki Celep

Ihlas Yapı Turizm ve Sağlık A.Ş. (Ihlas Construction Tourism and Health Group)	Chairman of the Board of Directors
Ihlas İnşaat Holding A.Ş. (Ihlas Construction Group)	Chairman of the Board of Directors
Armutlu Tatil ve Turizm İşletmeleri A.Ş. (Armutlu Holiday Resort)	Chairman of the Board of Directors
Ihlas Pazarlama A.Ş.- İhlas Yapı Turizm ve Sağlık A.Ş. Joint Venture	Representative
Ihlas Marmara Evleri Ortak Girişimi Joint Venture	Representative

Abdullah Tuğcu

Ihlas Yayın Holding A.Ş. (Ihlas Media Holding)	Member of the Board of Directors
Ihlas Gazetecilik A.Ş.	Member of the Board of Directors
Ihlas Haber Ajansı A.Ş.	Member of the Board of Directors
TGRT HABER TV A.Ş.	Member of the Board of Directors
TGRT Dijital TV Hizmetleri A.Ş.	Member of the Board of Directors
Ihlas İnşaat Holding A.Ş. (Ihlas Construction Group)	Member of the Board of Directors

Mahmut Kemal Aydın

Ihlas İnşaat Holding A.Ş. (Ihlas Construction Group)	Deputy Chairman of the Board of Directors
Ihlas Motor A.Ş.	Chairman of the Board of Directors
Ihlas Dış Ticaret A.Ş.	Member of the Board of Directors
Ihlas İnşaat Proje Taahhüt Turizm ve Tic. A.Ş.	Member of the Board of Directors

Sedat Kurucan

Ihlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. (Ihlas Home Appliances)	Chairman of the Board of Directors
Ihlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş.	Chairman of the Board of Directors
Ihlas Pazarlama A.Ş.	Chairman of the Board of Directors
Detes Enerji Üretim A.Ş.	Chairman of the Board of Directors
Bisiklet Pazarlama Sanayi ve Ticaret A.Ş.	Chairman of the Board of Directors
Ihlas Madencilik Enerji ve Ticaret A.Ş.	Chairman of the Board of Directors
Ihlas Marmara Evleri Ortak Girişimi Joint Venture	Representative

Necmi Özer

Ihlas Gazetecilik A.Ş.	Member of the Board of Directors
Mahir Kalite Eğitim Danışmanlık ve Test Hizmetleri Tic. Ltd. Şti.	General Manager

Ziya Burcuoğlu

Ihlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. (Ihlas Home Appliances)	Member of the Board of Directors
--	----------------------------------

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Principles for the Activities of the Board of Directors

The agenda for the Board of Directors meeting is identified upon the requests of Company management and committees; with the request made by managers for a meeting in situations where a Board of Directors resolution is required for Company operations, and whenever required by current events during the period in question. The Board of Directors convenes at least once each month. Each member of the Board of Directors has one voting right.

Members of the Board of Directors pay attention to attend the meetings held with the following issues and similar other issues

- Determining the activities the Company will carry out and approving business and financing plans,
- Issues regarding the call for the ordinary/extra-ordinary General Assembly meeting and meeting organization,
- Finalizing the Annual Report that will be presented to the General Assembly,
- Electing the board of directors chairman, deputy chairman and appointing the new members in case any of the membership position in the Board of Directors becomes vacant,
- Establishing the Administrative units or terminating their activities,
- Establishing the Committees,
- Determining the Company's dividend policy and the amount of distributable period profit,
- Capital increase or decrease.

And they take care to attend to the meetings that are held to discuss significant matters.

Besides the election of the chairman of the board of directors and the vice chairman, the decisions concerning the distribution of duties and the establishment of the committees are taken at the first meeting following the election of the Board of Directors.

- The Board of Directors Secretariat is authorized to organize and announce the Board of Directors' meeting agenda and serve notices for the call to meetings; to inform the Board of Directors members and to draw up all documents related to the Board of Directors. Ahmet Çalışkan acts as the Secretary for the Board of Directors. Board members are invited to attend meetings by the Board of Directors Secretariat via e-mail or telephone, informing Board members of the venue, date and time of the meeting.
- As of 31.12.2018, the total number of meetings Members of the Board of Directors has held was 52. For the 52 meetings held in this period, the attendance of Members of the Board of Directors was 90%. Decisions were made unanimously by the members that attended the meetings.
- As of 31.12.2018, at the Board of Directors meetings there were no opposing opinions, and issues recorded in the decision book. No opposing votes were submitted by independent Members during the same period.
- It has been ensured that all of the independent members of the Board of Directors attend the meetings in person for the matters listed in articles 1.3.10 and 4.4.7 of the CMB Corporate Governance Principles.
- Questions forwarded at the meetings are not recorded.
- Members of the Board of Directors are not entitled to preferential votes and/or veto rights. The results of the voting and the decisions to be taken are considered to be fair since each of the members of the Board of Directors has one voting right.

It is thought to make a plan in order to insure the losses – incurred in the company by the Members of the Board of Directors as a result of their faults during their term of office – with a policy that will have a value exceeding 25% of the company capital.

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

The Audit Committee, Corporate Governance Committee, and the Early Detection and Management of Risk Committee, have been established among the Company's Board of Directors in accordance with the principles. Both committees consist of two independent members, namely a president and a member. Therefore, it is considered that all of the members of the Board of Directors serving in these committees have the natural advantage of acting independently and making objective decisions.

Among the Board members, four of them are independent members. A member of the Board of Directors takes responsibility in more than one committee in order to ensure that all of the Board members in the committees are independent members.

Separate "Nomination Committee" and "Remuneration Committee" were not established due to the structure of the Board of Directors. However, the Corporate Governance Committee carries out the tasks of these committees within the framework of the permission given by the legislation.

Early Detection and Management of Risk Committee's tasks that used to be carried out by the Corporate Governance Committee until 07.03.2013, have been carried out by a separate committee since this date.

As a procedure that was determined for the committees to follow while carrying out their activities; "Committees carry out activities within the scope of their powers and responsibilities and counsel the Board of Directors. However, the final decision is taken by the Board of Directors."

The duties of the Committees have been determined by the Board of Directors, and the Committees meet as often as required by their duties.

Audit Committee

Necmi Ozer	Chairman of the Audit Committee (Independent Board Member)
Prof. Dr. Resul İzmirlı*	Member of the Audit Committee (Independent Board Member)

It consists of independent Board members within the Board of Directors.

Some of the tasks of the Committees are listed below;

- Auditing the accuracy, transparency of the financial statements and other financial data and their compliance with the legislation and international accounting standards; and getting opinion from the independent audit company and presenting a written report to the Board of Directors.
- Overseeing the functioning and effectiveness of the Company's accounting system, public disclosure of the, financial information, the independent audit process and the company's internal audit system.
- Within the framework of the confidentiality principle; investigating and concluding the complaints in and outside the Company about the Company's accounting and internal audit systems and independent audit process.
- Overseeing the compliance with the legal regulations and company's internal regulations.
- Carrying out other supervision and monitoring activities requested by the Board of Directors.
- The committee works through the efficiency of the internal control system and the internal audit activities, follows their works and pursues their efficient performance. It evaluates the evidence obtained pertaining to the internal control system, and reports it to the Board of Directors. The committee evaluates the significance of the internal audit and risk management, and whether a proper and efficient "audit culture" has been established within the Company.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

- The committee evaluates the significance of the internal audit and risk management, and whether a proper and efficient “audit culture” has been established within the Company. It analyses compliance with the working principles of the Internal Audit Unit. It reviews the effectiveness of internal audit activities. It ensures that the required measures are taken in order that the internal audit is performed transparently. Together with the Company’s legal unit, it analyses any kind of legal situation that may have effects on the financial reports.
- Reviewing the Annual Report that will be publicly announced, and investigating whether the information included in the Annual Report is consistent or not with the information the Committee has.
- Controlling whether or not the public disclosures and analyst presentations regarding the Financial Information are made in conformity with the Company’s “Information Policy,” and the law and regulations, in particular.

It reports the amendments on accounting policies, internal control system and the legislations that may significantly affect the preparation of the Company’s financial tables, to the Board of Directors. It monitors whether or not the activities of the Company are performed in accordance with the legislations and internal regulations.

During the period between 01.01.2018 and 31.12.2018, the Audit Committee held five meetings and the advisory decisions taken in consequence have been adopted by the Board of Directors.

Corporate Governance Committee

Prof. Dr. Hüseyin Hüsnü Gündüz	Chairman of the Corporate Governance Committee (Independent Board Member)
Ziya Burcuoğlu	Member of the Corporate Governance Committee (Independent Board Member)
H. Alev Volkan	Member of the Corporate Governance Committee (Manager of the Investor Relations)

It consists of independent Board members within the Board of Directors. Since the Nomination Committee and Remuneration Committee could not be established separately due the structure of the Board of Directors, the Corporate Governance Committee undertakes the responsibilities of these committees. The committee;

- Determines the reasons thereof, identifies any resulting conflicts of interest, and makes suggestions for remedial action to the Board of Directors.
- Oversees the activities of the Investor Relations Department.
- Makes sure that the importance and advantages of the Corporate Governance Principles is incorporated within the company structure. Moreover, it evaluates whether an efficient and effective “Corporate Governance” culture is incorporated or not within the Company.
- The Committee makes suggestions to the Board of Directors to ensure that the infrastructure relating to the Corporate Governance applications aiming to enhance the performance of the Company functions healthily, is understood and adopted by the employees, and is supported by the management.
- The Committee carries out activities to establish a transparent system for choosing the suitable candidates for the Board of Directors and the top (executive) management, and to develop policies and strategies regarding this issue.
- Determines the criteria associated with the performance of the Company and the member, which may be used in the remuneration. It submits a remuneration proposal for Board members and senior executives to the Board of Directors, taking into consideration the level of achievement with respect to the criteria used in remuneration. It also develops proposals for the number of board members and senior executives. If necessary, the Committee receives opinion and advice from the Human Resources unit.

During the period between 01.01.2018 and 31.12.2018, the Corporate Governance Committee held three meetings and the advisory decisions taken in consequence have been adopted by the Board of Directors.

Early Detection and Management of Risk Committee

Prof. Dr. Resul İzmirli	Chairman of the Early Detection of Risk Committee (Independent Board Member)
Ziya Burcuoğlu	Member of the Early Detection of Risk Committee (Independent Board Member)

It consists of independent Board members within the Board of Directors. The committee performs the following:

- Establishing effective control systems in order to define (according to impact and possibility), evaluate, monitor and manage the risk factors that might have impacts on reaching the Company targets,
- Integrating the Risk Management and internal control systems into the Corporate Structure of the Company, and monitoring their effectiveness,
- Measuring, reporting the risk factors by using appropriate controls through the Company's Risk Management and internal control systems, and using them in the decision mechanisms,
- Determining and reviewing the risk management policy, approach and standard within the Company,
- Taking and implementing all kinds of action decisions regarding the risks detected.

During the period between 01.01.2018 and 31.12.2018, the Early Detection of Risk Committee held seven meetings and the advisory decisions taken in consequence have been adopted by the Board of Directors.

Risk Management and Internal Control Mechanism

Today, transparency is one of the integral parts of corporate governance. Transparency, in turn, depends on robust and accurate risk management and audit mechanisms.

Running its operations with such an awareness, İhlas Holding is committed to managing the potential risks in its business fields, and striking a balance between its strategies and business processes. Risk management occupies a key position in the decision making processes of the Holding companies which have operations in different regions and sectors. Applied in a continuous and systematic fashion by the Holding and its subsidiaries, these risk management policies are defined in a way which covers financial risks, as well as strategic, service, workforce and information risks.

At İhlas Holding, risk management and internal control mechanisms are under the responsibility and control of the Holding management. The Holding has received external support for the work to be carried out as per the relevant article of the Turkish Commercial Code, and created a special risk management model for itself.

During the risk identification process, managers have clarified the main risks which may affect the Company and the specific risks within each major risk category. The strategic, financial, service, workforce and information risks that may impact the Company's operations were identified and defined. In this vein, the major risks and specific risks that concern our assets were divided into five categories.

All critical, high and medium risks in these categories, specific risk controls, existing strategies, and measures taken were evaluated by the relevant managers. As a consequence of this assessment, "Risk Level Action Degree Chart" and "Action and Action Person Chart" was created.

All the major risks and specific risks thus designated are updated periodically, and the necessary actions and the officers in charge are designated.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

During the period between 01.01.2018 and 31.12.2018, discussions were held with the related managers for risk categories such as Strategic Management and Investment, Education Services, Health Services, Knowledge, Finance and Workforce. Considering the economic and political developments both in Turkey and globally, strategies to mitigate risks, actions to be taken, target dates and risk levels were updated. All of these have comprised the risk book for the year 2017.

Additionally, discussions took place with the related managers for categories of Health, Education, Finance and Strategic Management, and Investment. Strategies to mitigate risks, actions to be taken and target dates were updated.

In our company, the internal control system includes all the measures and methods accepted and applied in order to protect the plan and the assets of the business organization, investigate the correctness and reliability of the accounting information, enhance the efficiency of the activities, and encourage commitment to predetermined Corporate Governance policies.

Within the context of the Internal Audit activities, the control points are continuously investigated by the Internal Auditors in order that the internal control system, which is accepted as a basic Corporate Governance function contributing to the achievement of the Company's objectives, being embedded in the nature and in itself of all administrative activities, business, transactions and processes carried out, and including all control activities, gains a more efficient and systematic structure.

Internal Audit Department is comprised of Mahmut Kemal Aydın, Serdar Altıntartı and Kadir Yiğit Eker.

Internal audit is a consulting activity which helps provide an independent, objective assurance in order to evaluate whether or not the resources are used in accordance with the principles of economy, effectiveness and efficiency, and serves as a guide for adding value to, and developing the operations of, our Company.

In our Company, these activities are performed with a systematic, continuous and disciplined approach in accordance with generally accepted standards, to evaluate and improve the effectiveness of the management and control structures of the administrations, and risk management, management and control processes of their financial operations. As can be understood from the definition of the internal audit, we can state that the first of its functions is to provide reasonable assurance, and the second is to provide a consulting service.

Assurance Function; Provides sufficient assurance, both inside and outside the organization, that there is an effective internal control system in the organization, the internal control system and the operational processes work effectively, the information produced is accurate and complete, the assets are protected, corruption and irregularities are prevented, and the activities are performed in an effective, and economical as well as efficient manner in compliance with the legislations.

Consultancy Function; Provides suggestions for the systematic and regular development and evaluation of activities and the processes for the achievement of the objectives of the administration. In this scope, İhlas Holding's Internal Control System is tested at quarterly periods through audit questionnaires. The results obtained at the end of these studies are presented to the Audit Committee.

Investor Relations Department

The Investor Relations Unit was set up in 1999 under the name of the Investor Relations Unit, and has provided services to all shareholders and investors since then.

Compliance was achieved as of 17th of June 2014 with the 11th Article of the Communiqué (n. II-17.1; date: 03.01.2014) published by the Capital Markets Board, and with the public disclosure made on the Public Disclosure Platform on the same date, Orhan Tanışman was appointed as the Assistant General Manager in charge of Budget Reporting and Investor Relations, H. Alev Volkan was appointed as the Investor Relations Department Manager. Additionally, Murat Biyıklı was assigned on 25.12.2014. Investor Relations Department assumes duties under Orhan Tanışman who is the Assistant General Manager in charge of Budget Reporting and Investor Relations.

H. Alev Volkan possesses both the “Capital Market Activities Advanced Level License” and the “Corporate Governance Rating Specialist License.”

Orhan Tanışman Contact Information

Telephone: 0(212) 454 24 28

e-mail: orhan.tanisman@ihlas.com.tr, ihlas@ihlas.com.tr

H. Alev Volkan Contact Information:

Telephone: 0 212 454 20 62

e-mail: alev.volkan@ihlas.com.tr

Murat Biyıklı Contact Information:

Telephone: 0 212 454 20 96

e-mail: murat.biyikli@ihlas.com.tr

From 01.01.2018 until 31.12.2018, 441 phone calls and 109 e-mail messages were received, and all were duly responded to. Moreover, information was provided to 2 overseas fund management companies over the telephone.

The Company's Investor Relations Unit updates the corporate website in line with developments and changes in the corporate organization and in accordance with the Corporate Governance Principles issued by the CMB, and became accessible as of January 1, 2005. Since then, it has been updated in accordance with principles.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Investor Relations Department mainly carries out following activities;

- Plays active role to protect and facilitate shareholder rights, especially the rights to obtain information and make analysis,
- Making available the information and disclosures that may have an impact on the use of the shareholder rights
 - to the use of the shareholders on the company website in an up-to-date manner,
- Keeping the records regarding shareholders in a healthy, secure and up-to-date manner,
- Responding to the shareholders' and potential investors' written information requests about the Company, apart from those that were publicly disclosed, that are confidential and that interfere with trade secrets,
- Ensuring that the General Assembly meetings are held in compliance with the legislations in force, Articles of Association and other internal regulations,
- Preparing documents that the shareholders may make use of at the General Assembly meetings,
- Ensuring that the voting results are recorded, voting results and relevant reports are sent to the shareholders,
- Overseeing and monitoring all kind of issues regarding public disclosure including legislations and information policy of the Company,
- Attending Investor Relations meetings organized by the national and international corporations on behalf of the Company,
- Preparing and updating (if necessary) the presentation materials that will be used at the meetings.

Investor Relations Department presented the report regarding its activities that were carried out in 2018, to the information of the Board of Directors on January 14, 2019.

Use of Shareholders' Right to Obtain Information

The Investor Relations unit conducts activities that ensure the protection and facilitation of shareholder rights, especially the right to receive and review information. During the period, questions regarding the company's operations and performance in the stock market were responded to, unless the information had not been publicly disclosed, was deemed as being confidential, or contained trade secrets, as defined by the CMB regulations and the Turkish Commercial Code.

The Company's Annual Report and the latest financial statements were presented during visits to the company by the press, intermediary institutions and investment banks. Furthermore, all inquiries received via telephone or e-mail were responded to orally and/ or in writing.

All information and explanations that might affect the use of shareholder rights are published promptly on the Company's website.

There is no regulation in the Articles of Association regarding the request to appoint a private auditor. The changes to be made by the Partnership within the framework of this principle will be considered in the coming periods. No requests for the appointment of a Private Auditor were received during the period.

General Assembly Meetings

The call for our Company's 2017 Ordinary General Assembly meeting that will be held on the 21st of April 2018, was published in the Trade Registry Gazette's edition n. 9548 (date: 30.03.2018) Furthermore, the call was made on our corporate website www.ihlas.com.tr and also on the Public Disclosure Platform.

Fax or e-mail messages including the information about the General Assembly announcement were sent to those who had requested information by telephone.

For the 2017 Ordinary General Assembly meeting, 33 shareholders – 7 shareholders physically attended and 26 shareholders attended on an electronic platform – representing 17.98% of the total capital convened simultaneously at the Company Headquarters on April 21, 2018 at 08:30 AM. However, it was observed that required meeting quorum as per the provisions of the Turkish Code of Commerce (TTK) and relevant regulation was not met. Consequently, the meeting was postponed and postponement memo was arranged.

With announcements made in the Trade Registry Gazette dated 07.05.2018 and numbered 9572, and in the Public Disclosure Platform (KAP), it was advised that the postponed General Assembly Meeting would be made on 29.05.2018, with the same agenda. At the same time, announcements were made at the Company website www.ihlas.com.tr, and at the e-Company portal operated by Merkezi Kayıt İstanbul.

Ordinary General Assembly meeting of 29.05.2018 took place with the attendance of 41 shareholders (15 shareholders physically and 26 shareholders by electronic means), representing 19.44% of the Company's capital. The meeting was run simultaneously at physical and electronic environments.

The Board of Directors' Annual Report pertaining to 2017, Independent Audit Report of İrfan Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., an Independent External Audit Firm, Corporate Governance Principles Compliance Report and profit distribution proposal of the Board of Directors were made available at the Company Headquarters and on the company website (www.ihlas.com.tr) for the review of our shareholders 21 days prior to the meeting date.

In order to raise the attendance of shareholders at the General Assembly, it is aimed to hold the meetings without any inequalities between shareholders, and to enable shareholders to attend these meetings at a minimum cost. Pursuant to the Articles of Association, the General Assembly meetings take place at the registered office of the Company, or at any convenient place in the city where the Head Office of the Company is situated.

The General Assembly meetings are held in public, including the stakeholders and the media, without the right to speak. While there are no provisions in the Articles of Association in this regard, the following provision is included in Article 5 of the "Internal Directive on Working Principles and Procedures of the General Assembly" which was submitted to and approved by the 2012 General Assembly, held on March 30, 2013: "Shareholders who are registered on the list of participants prepared by the Board of Directors within the framework of the Article 417 of the TCC, or their representatives, members of the Board of Directors, the auditor, if any, the Ministry's representative, if appointed, and persons who may be elected or appointed to the meeting council, are allowed to enter the meeting place. In addition; persons such as other managers of the Company, employees, audio and video recording technicians, and press members are also allowed to enter the meeting place with the consent of the Chairman of the Meeting."

The General Assembly takes decisions and makes the necessary announcements in accordance with the subjects pertaining to the responsibilities of the general assembly in the Turkish Commercial Code, the Capital Market Board's Communiqué on Corporate Governance Principles, and the provisions of the Articles of Association of the Company.

In order to facilitate participation in the General Assemblies, the utmost attention is paid to full compliance with the points stipulated by the legislation, and it is believed that our shareholders do not face any difficulties with regard to participation in General Assemblies. To date, no notifications to the contrary have been received from our Shareholders.

Minutes of the General Assembly meetings are delivered, if requested, to the shareholders upon conclusion of the meeting, submitted to the Public Disclosure Platform (PDP), and are made available on the Company's corporate internet site in order to keep nonparticipating shareholders informed. The minutes of the last 5 years' General Assembly meetings are available on the Company's corporate internet site.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Company pays special attention to include the following issues while making calls for the General Assembly meetings,

- Necessary information regarding meeting date and hour, meeting place (defined clearly), agenda, agenda items,
- The address where the annual reports, financial statements, and other documents related to the General Assembly can be reviewed.

Along with the General Assembly meeting announcement and the documents that should be made available at least 3 weeks prior to the General Assembly meeting, excluding the dates of announcement and meeting, for review of the shareholders within the framework of Article 437 of the Turkish Commercial Code No. 6102, and the disclosures and explanations that should be made pursuant to relevant regulations, the following information is also provided on the website and the PDP.

- a) As of the announcement date; information about the total number of shares and voting rights reflecting the shareholding structure of the corporation, number of shares and voting rights representing each privileged share group (if there is a privileged share in the corporation's capital) and the qualification of the privileges:
- b) The Company's explanation and justifications for any changes in the management and activities of the Company and its subsidiaries and affiliates, that have taken place in the previous accounting period, or are planned for future periods.
- c) The justifications for dismissal or changes if the General Assembly meeting agenda includes the dismissal, change or election of the members of the Board of Directors, the CVs of the persons who have declared their nomination for board membership to the company, the duties they've performed within the last 10 years and their reasons for leaving those positions, the nature and level of significance of their relations with the company and the related parties of the company, whether they have the required qualifications for independence, and information on similar subjects that may affect the company's activities in the event that these individuals are elected as board members.
- d) Requests by the company's shareholders to add items to the agenda communicated in writing to the Investor Relations Unit, and unaccepted proposals, if any of the proposals of the shareholders are not accepted by the Board of Directors, and the grounds for refusal.
- e) In the event of an amendment to the Articles of Association featuring on the agenda, the former and new versions of the amendments to the Articles of Association, along with the resolution of the Board of Directors.

In the preparation of the General Assembly agenda, due care is paid to include each proposal under a separate heading, to word the agenda headings clearly and in such a manner as to avoid differing interpretations, and not to insert any agenda items such as "others" or "various."

The chairman of the meeting has knowledge of the Turkish Commercial Code, Capital Markets Law and other legislation. He shows utmost care about the communication of the issues included on the agenda in an objective and detailed way, with a clear and understandable method. The shareholders are entitled to the rights to express their opinions and ask questions under equal conditions.

Each question directed by the shareholders at the General Assembly meeting, which is not considered a trade secret, is answered directly by the Chairman during the General Assembly meeting.

In the event that the question is not about the agenda, or cannot be answered immediately, it will be answered in written form by the Investor Relations Unit within 15 (fifteen) days of the General Assembly. All questions posed during General Assembly meetings and their answers shall be published in 30 (thirty) days on the Company's website.

The Company's Board of Directors, other relevant individuals, officials and auditors responsible for drawing up the financial statements, and an official from the Independent Audit Company auditing the financial statements of the Company are invited to the General Assembly meetings for the specific subjects included in the agenda.

The Company's Charitable Donations Policy had been presented to shareholders at the General Assembly meeting covering the year 2011, which was held in 2012. Charitable donations made in 2017 was presented to shareholders in a separate agenda item at the General Assembly held for the year 2017. There are no changes to the Charitable Donations Policy.

In the event that shareholders who control the management, the members of the Board of Directors, the executive managers and their first and second degree relatives by blood or by marriage, have carried out transactions that may result in conflicts of interest, either with the Company or its subsidiaries, and/or have carried out transactions in the same line of business as the Company or its subsidiaries, by themselves or on behalf of others, or have become partners without limits of liability in a company that is engaged in the same line of business, the aforementioned transactions are included in the General Assembly agenda, presenting detailed information with regard to such transactions, and are written in the General Assembly minutes.

Persons other than those mentioned above, who have the opportunity to access the Company's information in a privileged manner, shall inform the Board of Directors to be added to the agenda in order to ensure that information regarding transactions conducted on behalf of themselves, in the scope of the Company's field of activity, is provided in the General Assembly.

For Shareholders who will have themselves represented by proxy at the General Assemblies, a specimen of a proxy statement is publicized along with the meeting announcements, and is also made available to Shareholders on the electronic medium.

The procedures and principles of voting in our Company's General Assemblies are listed below:

- Each Group A shares and Group B shares have one right to vote.
- Our shareholders can attend general assemblies in person or they can have a proxy represent them.
- Votes are cast openly by "show of hands" method.

Voting rules and methods are also announced to the Shareholders at the beginning of the meeting.

Voting Rights and Minority Rights

Although there is no privilege in the Company's Articles of Association for voting rights, Group B shareholders have the privilege of electing the majority of the members of the Board of Directors.

In case of reciprocal shareholding, these companies do not vote at each other's general assemblies.

Minority is not represented on the board. There are no provisions regarding minority rights in the Articles of Association. Our Company will evaluate the issue of making amendments within the framework of the principle, included in the Corporate Governance Principles, regarding minority rights in the upcoming periods. There is no conflict of interest occurring due to the absence of this provision in the Articles of Association.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

DISCLOSURE POLICY

İhlas Holding A.Ş.'s dividend policy for 2013 and subsequent years, which has been amended pursuant to Articles 19 and 20 of the Capital Markets Law No. 6362, and to the Capital Markets Board's Communiqué on Dividend Distribution Numbered II- 19.1 and dated January 23, 2014, which was published referring to these Articles, to the Dividend Directory and the relevant provisions of the Articles of Association, will be submitted to the approval of the shareholders at the General Assembly Meeting of 2013 which held on May 30, 2014.

Purpose

The main principle of our Company's disclosure policy is; to disclose the developments that have a probability of affecting the value of the capital market instruments issued by our Company to the public timely, completely, accurately and including the sufficient amount of information; and not to discriminate between the stakeholders of capital markets (shareholders, investors, capital markets experts, brokerage houses, etc.) when the right of information is being exercised. To ensure good practice of this principle, information disclosed by the Company will be easily understood, interpretable, easily accessible at low cost, and access to information will be provided equally to all stakeholders.

With respect to public disclosure, the Company complies with the regulations of the Capital Markets Board (CMB) and Borsa İstanbul A.Ş. (BİST A.Ş.), and takes the maximum care to adopt the principles included in CMB's Corporate Governance Principles.

When disclosures are being made, in addition to the rules stated in the regulations, Company website, e-mail messages, press releases and media entities are effectively used. It is a strict rule to comply with the rules regulated by the CMB, and to follow the changes and new rules and comply with them as well.

Responsibility

The Board of Directors is responsible to monitor, review and develop the Disclosure Policy. Corporate Governance Committee informs the Board of Directors, the Audit Committee and the Deputy General Manager in Charge of Financial Affairs about the issues related to the Disclosure Policy. Corporate Governance Committee also makes suggestions about the Disclosure Policy. Abdullah Tuğcu, Deputy General Manager in Charge of Financial Affairs is responsible for the implementation of Disclosure Policy.

Methods and Tools of Public Disclosure

Basic public disclosure methods used by our Company are;

- Because of the obligation arising out of Capital Markets Regulations and Turkish Code of Commerce (TCC), in line with the Communiqué on Material Events Disclosure (II-15.1) of the Capital Markets Board, making the necessary announcements in the Public Disclosure Platform using the forms in the Communiqué, and announcing the same in the corporate website (<https://www.ihlas.com.tr>),
- Announcing financial statements, their footnotes, independent auditor reports, declarations and annual reports in the Public Disclosure Platform and the Company website,
- At the time of capital increase, announcing the prospectus in Turkish Trade Registry Gazette and the Company website, and announcing the procedures in daily newspapers and the Company website,
- Announcing matters such as the invitation to the general assembly and dividend payment in the Company website, Turkish Trade Registry Gazette and daily newspapers,

These are the basic public disclosure methods used by our Company.

Aforementioned announcements of our Company that are presented to capital markets stakeholders and which are obligations arising out of regulations;

- Are fed to printed and visual media entities, and to data dissemination entities such as Reuters, Foreks, etc.,
- Are explained to capital markets stakeholders at face to face meetings and teleconferences.

Public Disclosure of Financial Statements

The Company's financial statements and their footnotes are prepared on a consolidated basis, and in line with Turkish Code of Commerce, Capital Markets Law, Tax Laws and other related regulations. They are independently audited, according to independent audit standards issued by the Capital Markets Board. They are submitted to the approval of the Board of Directors, accompanied by the affirmative opinion of the Audit Committee.

The statement of truth is signed by the responsible Board Members, then financial statements are disclosed to public. Following the approval of the Board of Directors, financial statements, their footnotes, independent audit report and other documents attached to these are delivered to the Public Disclosure Platform, to be announced in line with the CMB and BIST A.Ş. regulations. Past financial statements can be reached at the Company website.

Public Disclosure of the Annual Report

The Annual Report is prepared in line with Turkish Code of Commerce, Capital Markets Law, Communiqués and Principle Resolutions of the Capital Markets Board. It is then submitted to the approval of the Board of Directors, and disclosed to public in the Company website.

If they wish, capital markets stakeholders can have a printed copy of the Annual Report in Turkish and/or English languages, by requesting from the Investor Relations Department. Past annual reports can be reached at the Company website.

Public Disclosure of Material Events

Disclosures of the Company for material events are prepared under the supervision of the Deputy General Manager in Charge of Financial Affairs, they are signed by the responsible board members, and then delivered to the Public Disclosure Platform.

Maintaining the Confidentiality of Information until they are Disclosed to Public

Ihlas Holding A.Ş. employees who have access to inside information, and other parties who are in contact with these employees are informed that they are obliged to keep the information on the material event confidential, until the event is disclosed and announced at BIST A.Ş. As a principle, persons who are working as representing Ihlas Holding A.Ş., or on behalf of Ihlas Holding A.Ş. cannot disclose material events that have not been disclosed to public yet, to third persons in whatsoever way. If it is detected that such information has been disclosed to third parties by mistake, and it is decided that the confidentiality of such information cannot be maintained as required by the capital markets regulations, material event disclosure is made immediately.

The Company discloses inside information to public on the date the obligation to disclose arises. However, if the Company's legitimate interests, legal rights and benefits require that disclosure of inside information is postponed, this can be done as per article 6 of the Communiqué, ensuring the confidentiality of inside information. To be able to postpone the disclosure, a resolution should be made by the Board of Directors, stating the impact of postponement on the Company's legal rights, stating that there is not a risk of misleading

ANNUAL REPORT OF THE BOARD OF DIRECTORS

the investors, and the precautions taken to maintain the confidentiality of information until it is disclosed.

As soon as the reasons to postpone the disclosure of inside information vanish, announcement is made in the Public Disclosure Platform immediately.

As a component of the procedures on handling inside information, the "List of Persons Having Access to Inside Information" has been prepared. The persons in this list have delivered declarations stating that they are aware of the obligations that may arise if they fail to protect, or inappropriately use, inside information. New entries to the list are closely monitored, and their declarations are obtained.

Until material events are disclosed to public, they shall not be disclosed to capital markets stakeholders or other third persons in private meetings, either they have been organized as one-on-one, or in groups. In such meetings, only publicly disclosed information can be shared.

If a change or development occurs related to a previously disclosed matter, these are also disclosed to public as material events.

Persons Authorized to Disclose to Public

In addition to the aforementioned disclosures, when information is requested by capital markets stakeholders in private, either verbal or in writing, these are provided by the Deputy General Manager in Charge of Financial Affairs, or the Investor Relations Department, without sharing any confidential information or commercial secret.

Persons who are authorized to speak to press, or to data dissemination channels such as Reuters, Foreks, etc. are Chairman of the Board of Directors, General Manager, and Deputy General Manager in Charge of Financial Affairs.

Unless explicitly authorized, employees of the Company cannot reply questions received from capital markets stakeholders.

Information requests received are forwarded to the Deputy General Manager in Charge of Financial Affairs, or the Investor Relations Department.

As a component of the disclosure management procedures, in addition to the information specified by regulations, other information such as the Company's management, legal status and the Company's projects are disclosed to public. These disclosures are accompanied with the explanations made by authorized executives or board members.

Criteria Used when Specifying Persons Having Administrative Responsibilities

When specifying the persons having administrative responsibilities, capital markets regulations are considered.

İhlas Holding A.Ş. Members of the board of directors, and persons who are not board members but who have access to the Company's inside information regularly, whether directly or indirectly, and who have the authority to make decisions to the extent to affect the issuer's future development and business objectives; are persons having administrative responsibilities.

Communication with Capital Markets Stakeholders

The Company does not provide guidance about interim and end of year results. Instead of guidance, the Company prefers to explain significant matters to capital markets stakeholders, which would help to better understand the critical issues that affect the Company's results, its strategic approaches, the industry and the operating environment.

Unless otherwise is stated in the disclosure policy, only the persons authorized by the Company to disclose information to public can communicate with capital markets stakeholders. During private discussions with capital markets stakeholders, significant information that is not publicly disclosed will not be shared.

Face to Face Meetings or Telephone Conversations

Discussions held with capital markets stakeholders is a significant component of investor relations development programs. These can take place over the phone, face to face, one by one, or in groups. During these discussions, the Company will not provide new information, will not update previously disclosed information, and will not disclose significant and special information that was not previously disclosed.

Excluding these cases; when it is necessary to share the Company's activities in detail with investors, and/ or when the Board of Directors requires so, investor information meetings will be organized. When a request is received from press for an interview with board members or executives, Investor Relations Department will evaluate the request, and will obtain the approval of the Corporate Governance Committee. For the queries of potential investors, shareholders, stakeholders, press and financial institutions representing investors, it will be encouraged that the query is in writing, and is delivered by electronic means. However, all queries will be replied by the Investor Relations Department under the disclosure policy.

Explanations made in investor meetings or press conferences, the related presentations and reports are presented through the Company website as well.

Information for Small Investors

To be able to keep the information activities interactive and to prevent speculations; during the meetings held with a certain group of investors, and during the events involving the press, presentations and reports will not include new information, will not update previously disclosed information, and will not include information that was not previously disclosed.

All explanations will also be presented through the website. When disclosures are being made, in addition to the rules stated in the regulations, Company website, e-mail messages, press releases and media entities are effectively used as disclosure methods. It is a strict rule to comply with the rules regulated by the CMB, and to follow the changes and new rules and comply with them as well.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

News and Rumors that are Published by the Press or Websites

Investor Relations Department closely follows the news and rumors that are published by the press or websites about the Company.

If news or rumors are published in the press or websites, and if, i) these are significant enough to have an impact on the investment decisions, or the value of capital markets instruments, ii) these have not been delivered by the Company's authorized representatives, iii) the content of these is different from the previously announced prospectuses, procedures, disclosure texts approved by the CMB, financial reports and other public disclosure documents; the Company will issue a statement, pursuant to article 9 of the Communiqué under the heading of "Verification of News and Rumors," and this statement will state whether news and rumors are true or not.

If it is seen that the news or rumors in question are related to information that was postponed to be disclosed, then it is deemed that the reasons to postpone have become void, and the Company makes a public disclosure.

However, if the content of the news or rumors was previously disclosed to public by material event disclosures, prospectuses, procedures, announcement texts approved by the CMB and financial reports and there is no additional information of concern, public disclosure is not necessary.

Disclosure of Evaluations for the Future

In line with its disclosure policy, the Company can occasionally disclose Evaluations for the Future.

When evaluations for the future are being disclosed, the related provisions of the regulations are complied with.

Documents explaining evaluations for the future includes assumptions and data for these evaluations, as well as the reasoning behind the evaluations. Explanations clearly state that actual results can be different from expectations, because of risks, uncertainties and other reasons. If any expectation or evaluation related to the future are disclosed, these should include the reasoning and statistical data behind the expectations. Such information does not include exaggerated anticipations, they are not misleading, and they are presented in relation to the Company's financial position and balance sheet results.

Evaluations for the future can be disclosed with the condition that they are approved in writing by the Board of Directors, or another official authorized by the Board of Directors. The aforementioned reminders can be expressed clearly, or they can be presented as reference to an existing, publicly available document (press release, fact sheet, a previous disclosure made under the capital markets regulations).

Evaluations for the future are can be disclosed up to four times a year.

When a significant change occurs for a previously disclosed future evaluation, the change is disclosed without being subject to the limitation on the number of annual disclosures for the future.

Website (<https://www.ihlas.com.tr>)

As recommended by the CMB Corporate Governance Principles, the Company's corporate website (<https://www.ihlas.com.tr>) is used actively for public disclosures. However, information presented in the Company's website does not stand for the reporting and material event disclosures that have to be made as per the capital markets regulations. All publicly disclosed information can also be reached at the website.

Information presented in the website are: Trade registry information, shareholding and management structure, information on privileged rights, dates and numbers of Trade Registry Gazettes in which changes are announced, latest version of the Company's Articles of Association, material event disclosures, share price, interim and annual reports, regularly issued financial statements and reports, prospectuses and procedures, general assembly meeting agendas, attendance lists, meeting minutes, proxy voting forms, dividend policy, disclosure policy, corporate governance principles compliance report, corporate governance rating report, ethical rules of the Company, frequently asked questions, subsidiaries, general contact information and contact information of Investor Relations for questions of investors.

The website is structured in sections according to the information that has to be presented pursuant to the Corporate Governance Principles and similar provisions in regulations. Regarding the security of the website, all necessary precautions are taken. The website is presented in Turkish and English languages, according to the content and format stipulated in the CMB Corporate Governance Principles. Among all the information in the website, the following are specially highlighted: Announcements for general assembly meetings, agenda items, information, documents and reports related to general assembly meeting, information on the attendance methods to the general assembly. The website is being developed continuously.

HUMAN RESOURCES POLICY

The Basic Principles of the Human Resources Policy

The aim of the Human Resources policy is to enable Ihlas Holding to achieve a domestic and international competitive advantage by keeping the employees efficient, effective and happy. The main principles of the Company's human resources policy to achieve this purpose are stated below;

- 1- To develop and apply candidate supply, testing and orientation systems in order to select and recruit staff whose level of competence fits the qualifications required for a position,
- 2- To ensure that the personnel work in appropriate positions according to their knowledge and skills,
- 3- To maintain the efficiency and effectiveness of Company personnel at the highest level,
- 4- To provide personnel with the opportunity to develop themselves and build their careers by means of an effective training plan and program,
- 5- To ensure that the senior executives are raised from among the body of the Company, except for very special positions, with the implicit approval of the General Manager,
- 6- To maintain the highest level of personnel motivation at all levels,
- 7- To protect and improve the financial and spiritual rights of the personnel,
- 8- To create a business environment which helps develop the will to work of the personnel, including all administrators, and to expend great effort in order to establish healthy human relations.
- 9- To ensure the development of a sense of working for a common cause among all personnel, without any discrimination with regard language, religion, race, sex and physical attributes,
- 10- To make it attractive to work in the Company by meeting the social and cultural requirements of the personnel to the best of the budget limits, and by ensuring that all personnel benefit from the social services and aids in a balanced manner.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Human Resources department is responsible for listening to all kinds of employee problems, suggestions and expectations, and for solving these problems within the bounds of possibility. Mr. Yunus Mert Cinisli is in charge of this position in the department.

In addition, employees can communicate their complaints and suggestions to the new e-mail address, holdingik@ihlas.com.tr. All problems and suggestions sent to this address are evaluated and a response is always provided.

No complaints regarding discrimination have been communicated to date. The applications in the company are very clear and transparent. No one has been discriminated against for his/her religion, language, race or sex. This issue is one of the core tenets of our HR policy.

Work analysis studies have been initiated by the Human Resources department in order to establish a fair wage policy by means of the determination of job descriptions, authorities and responsibilities, and the job evaluation of the employees. After the completion of the work analysis, a target and competence based performance assessment system will be developed. Once the system is fully edited, a Performance Assessment manual will be produced, and it will be put into practice after the required trainings are provided to the employees and the administrators.

The regulation for personnel recruitment and placement, dismissal and disciplinary regulations, and the regulation for the titles that can be used have been published.. In this context, revision studies for employees' titles are ongoing, as well as the training activities provided to the employees and other related units for the trainings, implementation arrangements, and follow-up regarding the published regulations. Furthermore, studies related to the other subjects (Personal rights, Wage management, etc.) are still in progress. When completed, the relevant disclosures will be made. Our organizational structure has been reconfigured. After the completion of the organizational structure, an organization handbook will be prepared, and the new job descriptions will be communicated to the employees.

Rules of Ethics and Social Responsibility

The following rules of ethics have been developed by the Board of Directors for the Company and its employees. These rules of ethics have been published, on the website, to Company employees and to the public, in accordance with the Company's disclosure policy.

Rules of Ethics

Our Board of Directors;

Believes that the capital markets are, first and foremost, based on trust, and therefore rules of ethics are crucial. However, first among these rules of ethics should stand the supremacy of law and the defense of this supremacy. The Company's General Manager, the Executive Director of Financial Affairs and Accounting- Finance Department Administrators are entrusted to:

- Draw up complete, true, fair, timely and understandable disclosures in all reports and documentation published or submitted the authorities of the capital markets of which the Company is a member,
- Company with all the laws, regulations and principles binding the company itself and the Company's relations with its shareholders,
- Ensure compliance with the spirit as well as the letter of these rules of ethics; and to expend effort to promote the development of a company culture which forms the basis of compliance with laws and company policies in all activities.

In addition to these,

Individuals within the Company who are in a position to obtain information regarding the financial statements, which nevertheless is not yet publicized, are expected to keep such information confidential in accordance with the rules of ethics.

Our employees:

- Are honest and reliable people who pay due care to ethical and moral values and make no compromise on these values,
- Perform their duties in their units or departments for the benefit of the Company, selflessly and carefully, and in a disciplined and objective manner, in compliance with the principles of confidentiality,
- Fulfill their duties in the best possible manner to enhance the Company's profitability and market share,
- Their language, behaviors and clothing styles are always reasonable and prudent.
- Being aware of the importance of the hierarchical relations and customer relations in professional life they act accordingly,
- Have a positive impact on the people they address both within and outside the Company with their respectful, moderate, modest, active and positive attitudes,
- Meticulously comply with the laws, professional principles and the relevant regulations,
- Take the most effective, sound and appropriate decisions for the Company by evaluating different ideas, perspectives and suggestions with a conciliatory attitude,
- Refrain from political, religious, or ethnic arguments involving discrimination and all other unlawful activities,
- Possess the requisite knowledge and experience for the job they are performing, and demonstrate continuous effort to develop their general knowledge, professional knowledge and skills. Employees should fulfil their responsibilities in the best possible manner with all these qualifications and values that they possess.

Social Responsibility

The founders and employees of İhlas Group have united around the maxim, "the most auspicious of people is the one who serves the people," and undertake to perform their work within this frame. Our priority is the "auspiciousness of all services to humanity" regardless of religion, language, race, sex or age.

Effective and efficient usage of the world's resources, respect for the environment and honoring social responsibilities are indispensable aspects of serving humanity. The shareholders and the stakeholders are informed in full and on time in the event of such aids and donations.

Within this context, the Corporate Social Responsibility Policy of İhlas Holding is gathered under 3 titles:

Ethical Values;

Being aware of the reputation and the value of the name of İhlas, its name and the relevant brands can only be used in activities permitted by the members of the Board of Directors.

Utmost care is paid to the discharge of social responsibilities towards the employees, shareholders, society and the environment in all fields of activity.

İhlas Holding is sensitive about the protection of the confidentiality of the private information of the employees and customers.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Human;

The assurance of the people's peace of mind primarily derives from a good education and then from a healthy life. For this reason, there is special sensitivity about education and health.

Respect is shown to human rights, an internationally valid concept, and all measures are taken in order not to contribute to human rights violations.

The rights and freedom of the employees are protected, and no personnel are employed in contravention of labor standards. Utmost attention is paid to the freedom of labor union and collective labor contract, and all efforts are made to eliminate any form of unfree or forced labor.

An honest, fair and healthy work environment is ensured. Discrimination for any reason such as language, race, belief, sex, political views and physical attributes is not allowed. Efforts are made to completely eliminate child labor.

It is accepted as a duty to fight against corruption as required by work ethics.

Environment;

All actions are taken in full awareness of the scarce resources of the world, which are the common property of humanity, and the responsibility towards new generations, in the effective and efficient use of resources.

It is aimed to minimize any and all possible environmental risks resulting from our activities. Every kind of activity and organization raising environmental responsibility is supported. Environment-friendly technologies are followed, and a deliberate approach is supported on environmental difficulties.

The Company is not involved in any activity that contaminates or causes damage to the environment, and has not faced any legal or financial court cases pertaining to this issue.

THE COMPANY'S MISSION, VISION AND STRATEGIC OBJECTIVES

Our Mission

- To care about social peace, popular benefit and peace of mind in all services we offer,
- To play a pioneering role in all our sectors of operation,
- For the Media Group, to be engaged by a work schedule defying time and limits,
- For the Marketing Group, to access the most distant parts of the country,
- For the Construction Group, to provide the consumers with the most reliable and comfortable homes at the most reasonable price.

Our Vision

- To spread our sense of peace to the whole world,
- For the Media Group, to come up with the fastest and most effective content (news, entertainment, information),
- For the Marketing Group, to offer all products that would bring benefit to consumers under favorable conditions,
- For the Construction Group, to play a role in enabling all Turkish citizens to acquire homes which are as spacious and comfortable as they desire.

Our Values

- The best kinds of people are those who provide good service,
- Earning people's trust precedes earning their money,
- Individuals cannot live in peace and prosperity without a strong state,
- A management style open to change, to bring the company in line with corporate qualities befitting the global economy, strong infrastructure and human resources unique to our Group.

Our Strategy

- To employ the latest technology in the most effective way,
- To seek the most effective ways to access customers,
- To produce the most up-to-date and effective content,
- To use resources efficiently and productively,
- To benefit from the social knowledge and sector experience of advanced countries and to learn from their mistakes,
- To develop content and products which meet the needs of all individuals of society (women, children, elderly, etc...),
- To be accessible at all times in all places,
- To cooperate with the leading organizations of the world in the sectors we operate.

The Board of Directors periodically and regularly performs an overview of the extent to which targets have been met, operations, and past performance. The Board aims to reflect this on performance following objective criteria. While doing that, it tries to reflect this approach to performance within the framework of objective criteria.

Informing Stakeholders

The stakeholders are described as any person, institution or interest group that is involved in the activities of the corporation and that helps to achieve its aims. In this regard, our stakeholders are our shareholders, employees, creditors, customers, suppliers and various non-governmental organizations. The Company provides the necessary protection for the rights of the stakeholders as provided via legislations and mutual contracts, in its transactions and operations. In cases where stakeholders' rights are not protected by laws and regulations, stakeholders' interests are protected within the framework of bona fide principles and to the extent of the Company's ability. All questions forwarded by stakeholders during the period have been answered by the relevant units. For this issue no special environment was created, but existing information channels were used. Stakeholders are informed about the issues of the Company that concern them, via one-on-one meetings, e-mails or announcements made to BIST A.Ş.. Company's official e-mail address ihlas@ihlas.com.tr was the most effective tool used in this issue.

All the necessary steps are taken for customer satisfaction in the marketing and sales of goods and services. In this respect, the company swiftly meets customer demands regarding the products and services purchased by the customer, and communicates the necessary information to the customer.

The company conforms to quality standards on goods and services and takes special care to maintain standards.

The company takes due care regarding privacy of information about customers and suppliers, under commercial privacy.

The quality studies, carried out with all subsidiaries, were also conducted within this context, and it was ensured that these studies were updated regularly. Based on this context, in-service trainings were provided, all customer problems were approached with the philosophy that the customer is always right, and relevant solutions were created accordingly.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Participation of Stakeholders in the management

An e-mail address, insankaynaklari@ihlas.com.tr, was introduced and announced to employees, facilitating participation in management and freely communicating all complaints and suggestions. Furthermore, it has been noted that suggestions sent to the official e-mail address should also be taken into consideration.

Meetings have been held with the Group's subsidiaries, generally the retailers and the regional representatives, their suggestions have been taken into consideration and where deemed to be appropriate, were applied.

The issue of conducting the necessary studies to ensure more active participation of stakeholders in the management will be considered in the coming periods.

CHARITABLE DONATIONS POLICY

Under the philosophy of social responsibility, the Company can make charitable donations to education and training providers, foundations, associations, governmental entities and institutions with the decision of the Management and pursuant to the rules stated in the Capital Markets Law and Turkish Code of Commerce.

The type, amount and the charity of the donation is specified in line with the corporate social responsibility policies. Donations can also be made to foundations, associations, etc. which operate in similar areas with the subject matter of the Company. When selecting the charity organization, the priority shall be given to the ones that are in the tax exemption list of the Ministry of Finance.

The Company refrains from making any charitable donations which would contradict with the principle of protection of shareholder rights.

Charitable donations information is presented to shareholders at the Ordinary General Assembly Meeting for the related year.

WAGE POLICY FOR BOARD MEMBERS AND SENIOR EXECUTIVES

Wages of the board members are specified by the Corporate Governance Committee, considering the Company's performance, financial status and market conditions. The wage has two components, being a monthly gross payment, and a payment per meeting. If a board member has executive duties, a separate wage is paid to him/her, considering the Company's financial status and general market conditions. These criteria are also applicable for independent board members. In addition, their wages are ensured to be at a level that would make them preserve their independence.

These wages are specified once a year by the Corporate Governance Committee. They come to force after they are approved by the shareholders at the General Assembly.

Wages of senior executives are specified by the Board of Directors, considering the duties and responsibilities they have assumed, their experience and achievements, equivalent jobs and the Company's strategies and policies.

CORPORATE GOVERNANCE COMPLIANCE REPORT

İhlas Holding A.Ş. is aware of its responsibilities towards the stakeholders. Within this framework, the Company has adopted the notions of "fairness," "transparency," "accountability" and "responsibility," which lay the ground for corporate governance. The Company demonstrates the necessary care and effort to comply with the Capital Markets Law, and the secondary regulations and resolutions issued by the Capital Markets Board.

İhlas Holding A.Ş. believes in the importance of full compliance with the Corporate Governance Principles. During the accounting period that ended on 31 December 2018, corporate governance principles which are included in the annexes to the Communiqué on Corporate Governance, and which are mandatory by the related regulations, are adopted and implemented as they are.

Utmost care is taken to comply with the voluntary principles. With respect to the ones that are not fully complied with, there has not been any conflicts of interest between the stakeholders up to this day.

For the accounting period ending on 31 December 2018, with respect to the corporate governance principles listed in the annexes to the Communiqué on Corporate Governance, the ones that are complied with, and the ones that are not complied with yet are explained in the annual report, Corporate Governance Compliance Report (URF), Corporate Governance Information Form (KYBF), and other related sections of the report.

If a change occurs in the corporate governance principles listed in the annexes to the Communiqué on Corporate Governance numbered II-17.1, or in URF or KYBF during the accounting period, this will be disclosed as a material event, and will be included in the interim report.

Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF) are announced through the Public Disclosure Platform ("KAP") at least three weeks prior to the general assembly meeting date. URF template is used to report the status of compliance with the voluntary principles, and KYBF template is used to provide information on the current corporate governance practices.

Corporate Governance Compliance Report is prepared as below, in line with the format specified by the Communiqué on Corporate Governance numbered II-17.1, which was issued with the Resolution of the Capital Markets Board ("CMB") dated 10 January 2019 and numbered 2/49. The section marked with an (X) indicates the Company's compliance status, and where the answer is not "yes," necessary explanations are given.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

From among the Corporate Governance Principles (Principles) that are specified in the annex of the Corporate Governance Communiqué (Communiqué) n. II-17.1;

a) Compulsory Principles that we fail to implement and reasons:

Our Company has complied with all of the mandatory Corporate Governance Principles. Our Company is included in the third group within the scope of determination of mandatory corporate governance principles. Therefore, the third paragraph of Principle No. 4.3.7, and the second paragraph of Principle No. 4.3.8, are not among the mandatory principles for our Company.

b) Non-Compulsory Principles that we do not implement and reasons:

Principle No	Decision for the Principle	Reason
1.3.11	Public access including stakeholders and media can be granted to general assembly meetings, without allowing right of speech to these parties. An article can be included to the articles of association on this matter	The General Assembly meetings are held in public, including the stakeholders and the media, without the right to speak. While there are no provisions in the Articles of Association in this regard, the following provision is included in Article 5 of the "Internal Directive on Working Principles and Procedures of the General Assembly" which was submitted to and approved by the 2012 General Assembly, held on March 30, 2013: "Shareholders who are registered on the list of participants prepared by the Board of Directors within the framework of the Article 417 of the TCC, or their representatives, members of the Board of Directors, the auditor, if any, the Ministry's representative, if appointed, and persons who may be elected or appointed to the meeting council, are allowed to enter the meeting place. In addition; persons such as other managers of the Company, employees, audio and video recording technicians, and press members are also allowed to enter the meeting place with the consent of the Chairman of the Meeting."
1.5.2.	With the articles of association, minority rights can be granted also to those who possess less than one twentieth of the capital. The scope of the minority rights can be enlarged by making arrangements in the Articles of Association.	The issue of making necessary changes in the Articles of Association regarding Minority Rights will be evaluated in the future periods.
3.1.2.	An effective and expeditious opportunity of indemnity is provided in case of violation of the rights of the stakeholders protected by legislation and relevant agreements. The company provides the necessary convenience for the use of mechanisms, such as indemnity, provided to the stakeholders by the relevant legislation. Moreover, the company constitutes a staff indemnity policy for its employees and discloses it to the public through the corporate web site.	In case of any breach of the stakeholders' rights that are protected under the legislation and agreements, effective and fast compensation will be provided. The Company facilitates using mechanisms like compensation provided to the stakeholders with the relevant legislation. Moreover, the issue of constituting a staff indemnity policy for our employees will be considered in the coming periods.
3.2.1.	Without disrupting the company activities, models are developed that will support the stakeholders and the company employees, in particular, to participate in the company management. The aforementioned models, which are adopted by the company, are included in the company's internal regulations or Articles of Association.	By developing models that will support the stakeholders' participation in the company management, the issue of performing necessary activities in order to include these models in the company's internal regulations will be evaluated in the upcoming periods.

Principle No	Decision for the Principle	Reason
4.2.5.	It is a principle to clearly separate the powers of the chairman of the board of directors and chairman of the executive board/general manager, and to specify in writing this separation in the articles of association. No one in the company may be entrusted with unlimited authority to decide on an individual basis.	The issue of separating the authorities of the chairman of the board of directors and the chief executive officer/general manager clearly, and stating this distinction in writing in the Articles of Association, will be considered in the coming periods.
4.2.8.	Losses incurred in the company by the members of the board of directors as a result of their faults during their term of office, are insured with a policy that will have a value exceeding 25% of the company capital and this issue is publicly disclosed on the Public Disclosure Platform (KAP).	It is thought to make a plan in order to insure the losses – incurred in the company by the Members of the Board of Directors as a result of their faults during their term of office – with a policy that will have a value exceeding 25% of the company capital.
4.3.9.	Company determines a target ratio (not less than 25%) and time for the female members in the board of directors and creates a policy in order to reach these targets. The Board of Directors annually evaluates the improvement in reaching these targets.	There are no female members in the Board of Directors. As per the principles, female member target ratio was determined as 25%. It is targeted to reach this ratio in the future periods.
4.4.7.	The serving of a member of the board of directors for some other duties outside the company is regulated and restricted by certain rules.	Directors/Executives plan their schedule in such a way that will not disrupt their existing tasks and duties although there are no specific rules binding the Members of the Board of Directors to assume tasks outside the Company.

There is no conflict of interest occurring due to failure in fully complying with the above-described Principles. The Company has plans to make changes, in the future, on the managerial practices of the Company within the framework of these Principles. In case there is an important changes within the period in such explanations, related changes will be included in the interim reports.

In order to increase the compliance with the principles and monitor developments in the Corporate Governance, our Company continues to participate in trainings, panels and seminars, and tries to join events on this issue. The major part of these efforts are put under the roof of Corporate Governance Association of Turkey and Turkish Investor Relations Association where we have memberships.

An agreement was signed with JCR Avrasya Derecelendirme A.Ş on the 8th of December 2010 for determining the Corporate Governance Principles Compliance rating score of the Company. As a result of the rating evaluation process, Ihlas Holding A.Ş was included in the “BIST Corporate Governance Index” as of December 29, 2010.

Compliance ratings of our Company in four categories are indicated below. The first column indicates the rating which is calculated using the methodology that was changed and renewed by the Capital Markets Board's meeting dated 01.02.2013 and dated 4/105, and the next columns indicate revised ratings by periods.

Main Categories	27.07.2015	27.07.2016	27.07.2017	27.07.2018
Shareholders	7.93	7.80	7.80	8.19
Public Disclosure and Transparency	8.29	8.29	8.29	8.44
Stakeholders	7.54	7.54	7.84	8.20
Board of Directors and Senior Management	8.15	8.26	8.42	8.42
General Compliance Level	8.04	8.05	8.15	8.33

Since our Company's Corporate Governance Principles Compliance Rating Score is above the threshold level (6.5), our Company will continue to remain in the BIST Corporate Governance Index.

The Company has no conflicts of interest with the firm which provides it rating services.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Corporate Governance Compliance Statement	Yes	Partial	No	Exempt	N/A	Explanation
1.1. FACILITATION OF EXERCISING SHAREHOLDER RIGHTS						
1.1.2 Information and disclosures, which may impact the exercise of shareholder rights, are updated regularly on the Company's website, with the aim of informing the public and investors.	X					
1.2. RIGHT TO OBTAIN AND EXAMINE INFORMATION						
1.2.1 Company management avoids any procedures that would hinder a special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 The Company ensures the agenda of the General Assembly is clearly announced and each proposal is submitted under a separate heading.	X					
1.3.7 Persons, who have the opportunity to access the Company's information in a privileged manner, have informed the Board of Directors so as to ensure that information regarding transactions conducted on behalf of themselves, in the scope of the Company's field of activity, is added to the agenda and presented in the General Assembly.			X			No transaction in business scope of the company was reported by the people who have right to access internal information on behalf of themselves or third parties.
1.3.8 The members of the board of directors associated with issues of a special nature on the agenda, other relevant persons, authorized persons who were responsible for preparing the financial statements, and auditors were present at the general assembly meeting.	X					
1.3.10 The amounts and beneficiaries of all the donations and aids were presented under a separate heading in the agenda of the general assembly.	X					
1.3.11 The General Assembly Meeting was public, including stakeholders and press members, who did not have the right to ask for the floor.	X					
1.4. VOTING RIGHT						
1.4.1 There is no restriction and practice that would hinder shareholders' exercise of their voting rights.	X					
1.4.2 The Company does not have any shares with a privileged voting right.			X			The Company has privileged in the selection of the Members of the Board of Directors.
1.4.3 The Company did not exercise its voting rights at the General Assembly of an entity, with which it has any cross-shareholding relationship that results in control of management.					X	There are no mutual affiliate relationships among the company's shareholders.
1.5. MINORITY RIGHTS						
1.5.1 The Company paid due care to the exercise of minority rights.	X					

Corporate Governance Compliance Statement	Yes	Partial	No	Exempt	N/A	Explanation
1.5.2 The Articles of Association grants minority rights to those holding less than one twentieth of the stake in the capital; the scope of minority rights was amended and expanded in the Articles of Association.			X			The Company's Articles of Association do not contain any provision in this regard. Turkish Commercial Code and other relevant legislation shall be applicable to matters not covered by the Articles of Association. The issue of making necessary changes in the Articles of Association regarding Minority Rights will be evaluated in the future periods.
1.6. DIVIDEND RIGHTS						
1.6.1 The dividend policy approved by the General Assembly is disclosed to the public on the corporate website of the Company.	X					
1.6.2 The dividend policy contains the information that will allow shareholders to anticipate the procedures and principles of dividend distribution the Company will employ in the years ahead.	X					
1.6.3 Reasons for not paying dividends, as well as how the unpaid dividends will be used, were explained in relevant item of the agenda.	X					
1.6.4 The Board of Directors reviewed shareholders' interests and whether or not there is a balance between shareholders' interests and the Company's interests in the dividend policy.	X					
1.7. TRANSFER OF SHARES						
1.7.1 There is no restriction that would hinder the transfer of shares.	X					
2.1. CORPORATE WEBSITE						
2.1.1 The corporate website of the Company covers all the items under the corporate governance principle no. 2.1.1.	X					
2.1.2 The shareholding structure (the names, privileges, the number and ratio of shares for real persons who hold more than 5% of the issued capital) is updated at least once in every six months on the corporate website.	X					
2.1.4 Information on the corporate website is also available in foreign languages chosen as necessary, with content being entirely same as Turkish.	X					
2.2. ANNUAL REPORT						
2.2.1 The Board of Directors ensures that the annual report reflects the Company's activities fully and accurately.	X					
2.2.2 The annual report incorporates all the topics under principle no. 2.2.2.	X					
3.1. COMPANY POLICY REGARDING STAKEHOLDERS						
3.1.1 The rights of the stakeholders are protected under applicable regulations, agreements and goodwill.	X					

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Corporate Governance Compliance Statement	Yes	Partial	No	Exempt	N/A	Explanation
3.1.3 Policies and procedures regarding stakeholders' rights are published on the corporate website of the company.			X			Interests of the stakeholders are protected under laws and regulations.
3.1.4 Mechanisms necessary for the stakeholders to inform transactions contrary to law or ethics have been established.			X			The Company provides the necessary protection for the rights of the stakeholders as provided via legislations and mutual contracts, in its transactions and operations. In cases where stakeholders' rights are not protected by laws and regulations, stakeholders' interests are protected within the framework of bona fide principles and to the extent of the Company's ability.
3.1.5 The Company tackles conflicts of interest among stakeholders in a balanced manner.	X					
3.2. ENCOURAGING STAKEHOLDERS TO TAKE PART IN THE MANAGEMENT OF THE COMPANY						
3.2.1 Employee participation in management is governed by the articles of association and internal regulations.			X			There are no provisions in the Articles of Association that ensure participation of the employees to the company management. The issue of performing necessary activities in order to include these models in the company's internal regulations will be evaluated in the upcoming periods.
3.2.2 Methods including survey and consultation were followed to receive stakeholder opinion in material decisions with an impact on stakeholders.			X			Regarding the important decisions that give rise to an outcome for the stakeholders, the requests and suggestions of the stakeholders are taken and evaluated.
3.3. HUMAN RESOURCES POLICY						
3.3.1 The Company has adopted an employment policy based on equal opportunity and a succession plan for all core executive positions.		X				Our Company's recruitment policy provides equal opportunities. There is no succession plan for the managerial positions that may have a foreseeable effect in the Company's operations.
3.3.2 Recruitment criteria are defined in writing.	X					
3.3.3 The Company has a Human Resources Development Policy in place and conducts training courses for employees.	X					
3.3.4 Meetings were held to inform employees on subjects including the financial standing of the company, remuneration, career planning, training and health.		X				Meetings were held to inform employees on subjects that are periodic.
3.3.5 Decisions that may have an impact on employees are communicated to them and employee representatives. Opinion of the trade union was heard regarding these topics.		X				The employees are informed on decisions that may have an impact on them by managers. There is no unionization.
3.3.6 Job descriptions and performance criteria for all employees were prepared in detail, communicated to employees and evaluated in decisions regarding remuneration.		X				Mainly implemented for key personnel.

Corporate Governance Compliance Statement		Yes	Partial	No	Exempt	N/A	Explanation
3.3.7	Measures are implemented such as procedures, training courses, awareness-raising, goals, monitoring and complaint mechanisms so as to prevent employee discrimination and protect employees against physical, psychological and emotional abuse.	X					
3.3.8	The Company promotes the freedom of association and effective recognition of the right to collective agreement.					X	
3.3.9	A safe working environment is provided to employees.	X					
3.4.	RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1	The Company has measured customer satisfaction and conducted operations to achieve full customer satisfaction.		X				The Company pays utmost attention to fulfill all social responsibilities and ensure customer satisfaction in all activities.
3.4.2	Customers are informed in case of any delays in the handling of their requests regarding the goods and services purchased.	X					
3.4.3	The Company observes the quality standards regarding goods and services.	X					
3.4.4	The Company has established controls to protect the sensitive information and trade secrets of customers and suppliers.	X					
3.5.	ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1	The Board of Directors established the Code of Ethics and Conduct and published the same on the corporate website of the Company.	X					
3.5.2	The Company is considerate of its social responsibilities. Measures have been taken to prevent corruption and bribery.	X					
4.1.	FUNCTIONS OF THE BOARD OF DIRECTORS						
4.1.1	The Board of Directors ensures the implementation of an effective risk management system to prevent strategies and risks from jeopardizing the long-term interests of the Company.	X					
4.1.2	Agendas and minutes of meetings prove that the Board discussed and approved the strategic goals of the Company; identified the sources needed; and audited the performance of the management.	X					
4.2.	BOARD OF DIRECTORS' PRINCIPLES OF ACTIVITY						
4.2.1	The Board of Directors has documented its activities and presented the same to the shareholders.	X					
4.2.2	Authority and responsibility of the Board Members are explained in annual reports.	X					

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Corporate Governance Compliance Statement	Yes	Partial	No	Exempt	N/A	Explanation
4.2.3 The Board of Directors has established an internal audit system in parallel with the size of the Company and complexity of its activities.	X					
4.2.4 Information on the functioning and effectiveness of the internal control mechanism is provided in the annual report.	X					
4.2.5 Roles of the Chairman and Chief Executive Officer (general manager) have been separated and defined individually.			X			The issue of separating the authorities of the Chairman of the Board of Directors and the Chief Executive Officer / General Manager clearly, and stating this distinction in writing in the Articles of Association, will be considered in the coming periods.
4.2.7 The Board of Directors ensures that the investor relations department and corporate governance committee function effectively, while working in close cooperation with the investor relations department and corporate governance committee in resolving the disputes among shareholders and communicating with shareholders.	X					
4.2.8 Regarding possible losses the Company may incur due to Board Members' negligence in performing their duties, the Company has taken out an administrative liability insurance at an amount exceeding 25% of the capital.			X			It is thought to make a plan in order to insure the losses – incurred in the company by the Members of the Board of Directors as a result of their faults during their term of office – with a policy that will have a value exceeding 25% of the company capital.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 Company determined a target ratio (not less than 25%) for the female members in the board of directors and established a policy to achieve this goal. The structure of the board of directors is reviewed annually and the nomination process is run in accordance with this policy.			X			There are no female members in the Board of Directors. As per the principles, female member target ratio was determined as 25%. It is targeted to reach this ratio in the future periods.
4.3.10 At least one of the members on the audit committee has five years of experience in audit/accounting and finance.	X					
4.4. THE FORMAT OF BOARD OF DIRECTORS' MEETINGS						
4.4.1 All Board Members physically attended majority of the meetings of the Board of Directors.	X					
4.4.2 The Board of Directors has set a minimum time frame for the provision of information and documents related with the agenda to all Board Members.		X				A certain period of time is not defined; information and documents are sent to the members within a reasonable period before the meeting.
4.4.3 The opinions of members who were unable attend the meeting, but who presented their opinions to the Board of Directors in writing were provided to the other Board Members.		X				It is reported due to the importance of the issue.
4.4.4 Each member of the Board of Directors has one voting right.	X					
4.4.5 The structure of Board of Directors meetings was set down in writing as internal regulation of the Company.			X			The Board of Directors meetings are held in accordance with the provisions of the Articles of Association.

Corporate Governance Compliance Statement		Yes	Partial	No	Exempt	N/A	Explanation
4.4.6	The minutes of the meeting prove that all the items of the agenda are discussed; and the resolution book is prepared in a manner to cover all opposing opinions.	X					
4.4.7	Restrictions apply to the Board Members who would assume duties outside the company. Duties assumed by the Board Members outside the company were presented to the shareholders at the general assembly meeting.			X			Members of the Board of Directors are not limited to taking on other duties outside the company, and permission is obtained from the General Assembly for Board Members to assume other duties outside the company. Directors/ Executives plan their schedule in such a way that will not disrupt their existing tasks and duties.
4.5.	COMMITTEES ESTABLISHED UNDER THE BOARD OF DIRECTORS						
4.5.5	Each Board Member assumes duties only in one committee.			X			The Board of Directors are composed of eleven members. Four of these are Independent Members. As per the principles, there are three committees and all of the committee members are Independent Board Members. Therefore, members take place in two committees.
4.5.6	Committees have invited people they deemed necessary to seek their opinions.					X	
4.5.7	Information on the independence of the persons/entity, which provides a committee with consulting services, is presented in the annual report.					X	
4.5.8	Reports were prepared on the outcomes of committee meetings and presented to the Board Members.	X					
4.6.	FINANCIAL RIGHTS OF THE BOARD MEMBERS AND EXECUTIVE DIRECTORS						
4.6.1	The Board of Directors conducted a performance assessment on the board to evaluate whether or not it fulfilled its responsibilities effectively.			X			The Board of Directors did not conduct a performance assessment on the board and the board fulfilled its responsibilities effectively.
4.6.4	The company did not lend money, extend any credits, prolong the terms of existing loans and credits, improve the conditions thereof, and extend credit under the name of any personal credit means through a third person or provide warranties to a member of the board or the executives.	X					
4.6.5	Remuneration granted to the Board Members and managers with administrative responsibilities are announced on an individual basis in the annual report.			X			Remuneration granted to the Board Members and executive managers are not announced on an individual basis but as total in the annual report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

CORPORATE GOVERNANCE INFORMATION FORM

1. Shareholders	
1.1. Facilitation of Exercising of Shareholder Rights	
The number of investor conferences and meetings organized by the Company throughout the year	None.
1.2. Right to Obtain Information	
The number of special auditor requests	None.
The number of special auditor requests that were accepted in the general assembly meeting	None.
1.3. General Assembly Meeting	
The link of the announcement made in the Public Disclosure Platform (KAP), which includes the information requested under the principle 1.3.1 (a-d)	https://www.kap.org.tr/tr/Bildirim/680542
Whether the general assembly meeting documents were presented in Turkish and English languages simultaneously	They were not.
The links of the announcements made in the Public Disclosure Platform (KAP) related to the transactions which were not approved by the majority of independent members, or were not approved unanimously by the attendees, under the principle 1.3.9	There were no transactions under the scope of the related article
The links of the announcements made in the Public Disclosure Platform (KAP) related to the transactions carried out with affiliated parties, under the Communiqué on Corporate Governance (II-17.1), article 9	There were no transactions under the scope of the related article
The links of the announcements made in the Public Disclosure Platform (KAP) related to the transactions that are of a frequent and continuous nature, under the Communiqué on Corporate Governance (II-17.1), article 10	There were no transactions under the scope of the related article
The heading of the section of the corporate website of the Company that includes the policy on charitable donations	Investor Relations/Corporate Governance Practices/Policies
The link of the announcement made in the Public Disclosure Platform (KAP) which includes the minutes of the general assembly meeting in which the policy on charitable donations were approved	https://www.kap.org.tr/tr/Bildirim/207319
The number of the article of the Articles of Association which regulates the attendance of stakeholders to the general assembly	There is not an article in the Articles of Association which regulates the attendance of stakeholders to the general assembly.

General Assembly Meetings				
The Date of the General Assembly	The number of additional explanations requested from the Company related to the agenda of the general assembly	The rate of the shareholders that attended the general assembly	The rate of shares that were represented directly	The rate of shares that were represented by proxy
29.05.2018	0	17.98%	8.8%	91.2%

Information on the stakeholders that attended to the general assembly	In addition to the shareholders, authorized official of the Auditor company attended.
1.4. Voting Rights	
Whether there are any privileged voting rights	Yes
Privileged shareholders and their privileged voting rights, if any	Ahmet Mücahid Ören - 79.55% Ayşe Dilvin Ören - 12.05% İrfan Arvas - 8.40%
Share percentage of the biggest shareholder	10.58
1.5. Minority Rights	
Whether the minority rights are expanded in the Company's Articles of Association (with respect to content or rate)	No
If the minority rights were expanded with respect to content or rate, please state the number of the related article of the Articles of Association.	None.
1.6. Dividend Receiving Right	
The heading of the section of the corporate website of the Company that includes the dividend policy	Investor Relations/Corporate Governance Practices/Policies
If the Board of Directors have proposed to the general assembly not to pay dividends, the minutes of the related general assembly agenda item which includes the reason not to pay dividends, and the utilization method of the undistributed profit	At the end of the 2015 accounting period, the Company had a net loss for the period of TRY 642,745,920 according to the consolidated balance sheet based on the Turkish Accounting Standards/Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Audit Standards Authority as per CMB's Series: II-14.1 "Communique on the Financial Reporting Principles in the Capital Markets," and a net loss for the period of TRY 5,396,126.51 according to the non-consolidated legal records based on the Taxing Procedure Law (VUK). Based on the regulations, our Articles of Association and the dividends policy, the proposal of the Board of Directors on not to pay dividends was approved unanimously.
If the Board of Directors has proposed to the general assembly not to pay dividends, the link of the announcement made in the Public Disclosure Platform (KAP) which includes the related general assembly meeting minutes	https://www.kap.org.tr/tr/Bildirim/686904

The heading of the section of the corporate website of the Company that includes the general assembly meeting minutes, including affirmative and negative votes on each agenda item	The heading of the section of the corporate website of the Company that includes the questions asked in the general assembly, and the replies provided	The number of the article or paragraph of the general assembly meeting minutes, including information on affiliated parties	The number of persons who have privileged access to Company information and who are notifying to the Board of Directors (list of insiders)	The link of the disclosure made in the Public Disclosure Platform (KAP) on the general assembly
Investor Relations/General Assembly Information/Meeting Minutes	Investor Relations/General Assembly/Questions Asked in the General Assembly	None.	29	https://www.kap.org.tr/tr/Bildirim/686904

ANNUAL REPORT OF THE BOARD OF DIRECTORS

2. Public Disclosure and Transparency

2.1. Official Web Site

The headings of the sections of the corporate website of the Company that includes information required by the corporate governance principle numbered 2.1.1	Investor Relations
The heading of the section of the corporate website of the Company that includes the list of real person shareholders who own more than 5% of the Company's shares, directly or indirectly	Corporate/Shareholding Structure
Languages in which the corporate website is presented	Turkish – English

2.2. Annual Report

Page numbers or section headings of the annual report which include the information mentioned in the corporate governance principle numbered 2.2.2	
a) Page number or section heading of the annual report which includes the jobs of board members and executives outside the Company, and independence statements of board members	Information on Corporate Governance
b) Page number or section heading of the annual report which includes information on the committees created under the Board of Directors	Information on Corporate Governance
c) Page number or section heading of the annual report which includes the number of board meetings held throughout the year, and the members' attendance record	Information on Corporate Governance
d) Page number or section heading of the annual report which includes information on regulatory changes that can have a significant impact on the Company's activities	None.
e) Page number or section heading of the annual report which includes information on significant lawsuits filed against the Company, and their probable outcomes	Operations of the Company and Important Developments Related to Operations/sub-paragraph (e)
f) Page number or section heading of the annual report which includes information on the conflicts of interest between the Company and entities providing investment advisory and rating services to the Company, and the precautions taken to prevent these	Corporate Governance Principles Compliance Statement
g) Page number or section heading of the annual report which includes information on cross holding cases where direct shareholding exceeds 5%	There are not any cross holding cases.
h) Page number or section heading of the annual report which includes information on fringe benefits and professional development of employees as well as other corporate social responsibility activities related to the Company's operations that have social and environmental impacts.	General Information/(d) Information on the governing body, senior management and number of staff.

3. Stakeholders

3.1 Company Policy Concerning the Stakeholders

The heading of the section of the corporate website of the Company that includes the policy on indemnities	None.
The number of court decisions against the Company that has become final, which are the result of the violations of employee rights	12
The title of the Company official in charge of reporting of violations	Human Resources Directorate
Contact information of the Company's mechanism for reporting of violations	insan.kaynaklari@ihlas.com.tr ihlas@ihlas.com.tr

3.2. Encouraging Stakeholder Participation in Management of the Company

The heading of the section of the corporate website of the Company that includes internal regulations on participation of employees to managerial bodies of the Company	None.
Managerial bodies where employees are represented	None.

3. Stakeholders

3.3 Human Resources Policy of the Company

The role of the Board of Directors on developing a succession plan for key executive positions	The Board of Directors is in charge of assignments to be made to key executive positions.
The heading of the section of the corporate website of the Company that includes the human resources policy on the hiring criteria and providing equal opportunities to candidates, or a summary of the related articles of the policy	Human Resources/Human Resources Policy
Whether there is a share acquisition plan for employees	There is not a share acquisition plan for employees.
The heading of the section of the corporate website of the Company that includes the human resources policy on preventing discrimination and harassment, or a summary of the related articles of the policy	Human Resources/Human Resources Policy No complaints regarding discrimination have been communicated to date. The applications in the company are very clear and transparent. No one has been discriminated against for his/her religion, language, race or sex. This issue is one of the core tenets of our HR policy.
The number of court decisions against the Company that has become final, which are the result of liabilities associated with work accidents	None.

3.5. Ethical Rules and Social Responsibility

The heading of the section of the corporate website of the Company that includes the policy on ethical rules	Investor Relations/Corporate Governance Practices
The heading of the section of the corporate website of the Company which includes the report on corporate social responsibility. If there is not a report on corporate social responsibility, precautions taken with respect to environment, social issues and corporate governance	None.
Precautions taken to fight all kinds of corruption, including fraud and bribery	Internal Audit and Mutual Authorization

4. Board of Directors-I

4.2. Operating Principles of the Board of Directors

The date of the last performance evaluation for the Board of Directors	Performance evaluation is not being carried out for the Board of Directors.
Whether independent experts take roles in the performance evaluation for the Board of Directors	No
Whether all board members are discharged	Yes
Names of authorized board members, and the content of their authorization	Ahmet Mücahid Ören - Chairman of the Board and CEO (Executive Member) Zeki Celep - Deputy Chairman and Executive Member in Charge of Construction Mahmut Kemal Aydın - Board Member in Charge of Internal Audit Abdurrahman Gök - Board Member and Executive Member in Charge of Legal Affairs Abdullah Tuğcu - Board Member and Executive Member in Charge of Financial Affairs
The number of reports presented to the Audit Board or other related committees by the internal control department	4 reports
Page number or section heading of the annual report which include the evaluation on the effectiveness of the internal control system	Operations of the Company and Important Developments Related to Operations Information Regarding the Company's Internal Control System and Internal Audit Activities, and the Board Of Directors' Assessments on this Issue
The name of the chairman of the board of directors	Ahmet Mücahid Ören
The name of the executive head/general manager	Ahmet Mücahid Ören
The link of the announcement made in the Public Disclosure Platform (KAP), where the reasoning is explained for the chairman of the board and the executive head/general manager being the same person	https://www.kap.org.tr/tr/Bildirim/685999
The link of the announcement made in the Public Disclosure Platform (KAP), stating that an insurance policy was purchased with a coverage amount of more than 25% of the Company's capital, covering the losses that may be incurred because of the faulty actions of board members during their term	An insurance policy was not purchased to cover the losses that may be incurred due to faulty actions of board members during their term.
The heading of the section of the corporate website of the Company that includes the diversity policy to increase the rate of female board members	None.
The number and rate of female board members	-

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Structure of the Board							
Name/Surname of the Board Member	Whether He/She Has Executive Functions	Whether He/She is an Independent Member	Date of First Election to the Board of Directors	The Link of the Announcement Made in the Public Disclosure Platform (KAP) which Includes the Statement of Independence	Whether the Independent Member was Evaluated by the Nomination Committee	Whether He/She is a Member who has Lost the Status of Independence	Whether He/She Has Minimum 5 Years of Experience in the Field of Auditing, Accounting and/or Finance
Ahmet Mücahid Ören	Executive Function	Not an Independent Member	29.05.2018				No
Zeki Celep	Executive Function	Not an Independent Member	29.05.2018				Yes
Abdullah Tuğcu	Executive Function	Not an Independent Member	29.05.2018				Yes
Abdurrahman Gök	Executive Function	Not an Independent Member	29.05.2018				No
Mahmut Kemal Aydın	Executive Function	Not an Independent Member	29.05.2018				Yes
Sedat Kurucan	Non-Executive Function	Not an Independent Member	29.05.2018				Yes
Bülent Gençer	Non-Executive Function	Not an Independent Member	29.05.2018				No
Necmi Özer	Non-Executive Function	Independent Member	29.05.2018	https://www.kap.org.tr/tr/Bildirim/671162	Was evaluated	No	Yes
Prof. Dr. Resul İzmirlı	Non-Executive Function	Independent Member	29.05.2018	https://www.kap.org.tr/tr/Bildirim/671162	Was evaluated	No	Yes
Prof. Dr. Hüseyin Hüsnü Gündüz	Non-Executive Function	Independent Member	29.05.2018	https://www.kap.org.tr/tr/Bildirim/671162	Was evaluated	No	Yes
Ziya Burcuoğlu	Non-Executive Function	Independent Member	29.05.2018	https://www.kap.org.tr/tr/Bildirim/671162	Was evaluated	No	No

4. Board of Directors-II

4.4. Structure of Board Meetings	
The number of board meetings held by means of physical gathering during the accounting period	52
Average attendance rate to the board meetings	90%
Whether there is a web portal in place to facilitate the activities of the board of directors	No
When do the information and documents are presented to board members as per the working rules of the board of directors (how many days before the meeting)	3 days, excluding extraordinary cases
The heading of the section of the corporate website of the Company that includes information on internal regulations of the Company which specify the rules for board meetings	None.
The limitation specified in the policy for the board members for having other jobs outside the Company	None.
4.5. Committees Created under the Board of Directors	
Page number or section heading of the annual report which include information on the committees of the board of directors	Information on Corporate Governance
The link of the announcement made in the Public Disclosure Platform (KAP), which includes the working rules for committees	https://www.kap.org.tr/tr/Bildirim/196434

Committees of the Board of Directors-I				
Name of the Committee	Name of the Committee which is Stated as "Other" in the First Column	Name and Surname of Committee Members	Whether He/She is Chairman of the Committee	Whether He/She is a Board Member
Audit Committee		Necmi Özer	Yes	Board Member
Audit Committee		Resul İzmirli	No	Board Member
Corporate Governance Committee		Hüseyin Hüsnü Gündüz	Yes	Board Member
Corporate Governance Committee		Ziya Burcuoğlu	No	Board Member
Corporate Governance Committee		Hidayet Alev Volkan	No	Not a Board Member
Early Detection of Risk Committee		Resul İzmirli	Yes	Board Member
Early Detection of Risk Committee		Ziya Burcuoğlu	No	Board Member

4. Board of Directors-III	
4.5. Committees Created under the Board of Directors-II	
Please state the section of the annual report or the corporate website that includes information on the activities of the Audit Committee (page number or the section heading)	This is in the section of the annual report which is under the heading of "Corporate Governance Information."
Please state the section of the annual report or the corporate website that includes information on the activities of the Corporate Governance Committee (page number or the section heading)	This is in the section of the annual report which is under the heading of "Corporate Governance Information."
Please state the section of the annual report or the corporate website that includes information on the activities of the Nomination Committee (page number or the section heading)	This is in the section of the annual report which is under the heading of "Corporate Governance Information."
Please state the section of the annual report or the corporate website that includes information on the activities of the Early Detection of Risk Committee (page number or the section heading)	This is in the section of the annual report which is under the heading of "Corporate Governance Information."
Please state the section of the annual report or the corporate website that includes information on the activities of the Remuneration Committee (page number or the section heading)	This is in the section of the annual report which is under the heading of "Corporate Governance Information."
4.6. Financial Rights of the Board Members and Executive Directors	
Page number or section heading of the annual report which includes information on the Company's operational and financial performance objectives, and whether these objectives have been accomplished	Operations of the Company and Important Developments Related to Operations/Financial Position
The heading of the section of the corporate website of the Company that includes the wage policy for executive and non-executive board members.	Investor Relations/Corporate Governance Practices/Policies
Page number or section heading of the annual report which states the wages and other benefits provided to board members and other executives having administrative responsibilities	This is in the section of the annual report which is under the heading of "Corporate Governance Information."

Committees of the Board of Directors-II					
Name of the Committee	Name of the Committee Referred to as "Other" in the First Column	The Rate of Non-Executive Board Members	The Rate of Independent Members in the Committee	The Number of Physical Meetings Held by the Committee	Number of the Reports Presented to the Board of Directors on the Committee Activities
Audit Committee		100%	100%	5	5
Corporate Governance Committee		100%	66%	3	3
Early Detection of Risk Committee		100%	100%	7	7

INFORMATION ON 2018 RESULTS TO BE SUBMITTED TO THE GENERAL ASSEMBLY BY THE BOARD OF DIRECTORS OF İHLAS HOLDİNG A.Ş.

The following has been decided in the Board of directors meeting dated 25.03.2019;

The Company had a net loss for the period of TRY 38,591,140 according to the consolidated balance sheet based on the Turkish Accounting Standards/Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Audit Standards Authority as per CMB's Series: II-14.1 "Communique on the Financial Reporting Principles in the Capital Markets,"

And a net profit for the period of TRY 11,897,473.88 according to the non-consolidated legal records based on the Taxing Procedure Law (VUK).

A proposal will be submitted to the General Assembly to offset the profit with the losses of previous years, in line with the regulations, Articles of Association and the Dividend Policy.

Kindly presented for your information.

Board of Directors

STATEMENT OF RESPONSIBILITY

DATE: 11.03.2019

THE RESOLUTION OF THE BOARD OF DIRECTORS ON THE ACCEPTANCE OF FINANCIAL STATEMENTS, ANNUAL REPORT AND CORPORATE GOVERNANCE REPORTS

RESOLUTION DATE: 11.03.2019

RESOLUTION NUMBER: 2019/ 10

STATEMENT OF RESPONSIBILITY AS REQUIRED BY THE COMMUNIQUÉ OF THE CAPITAL MARKETS BOARD, SERIES: II-14.1, SECTION TWO, ARTICLE 9

For İhlas Holding A.Ş., concerning the financial statements which were prepared as of 31.12.2018 according to the Communiqué on "Principles of Financial Reporting in Capital Markets" numbered II-14.1 and Turkish Accounting Standards/Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Auditing Standards Authority, the annual report, and the Corporate Governance Compliance Report and Corporate Governance Information Form prepared according to the Resolution of the Capital Markets Board dated 10.01.2019 and numbered 2/49;

a) We examined the aforementioned documents,

b) Being limited with the information we have within the scope of the duties and responsibilities we have in the Company, we state that; financial statements, annual report, Corporate Governance Compliance Report and Corporate Governance Information Form prepared according to the Resolution of the Capital Markets Board dated 10.01.2019 and numbered 2/49; do not include any false explanations, or incomplete information which may be misleading as of the date of the explanations, concerning the significant matters,

c) Being limited with the information we have within the scope of the duties and responsibilities we have in the Company, we state that; financial statements prepared according to the Communiqué numbered II-14.1 is a fair presentation of the truth regarding the Company's (including the ones subject to consolidation) assets, liabilities, financial status, profit and loss; and the annual report, and Corporate Governance Compliance Report and Corporate Governance Information Form prepared according to the Resolution of the Capital Markets Board dated 10.01.2019 and numbered 2/49 honestly reflect the performance and development of the business, the Company's (including the ones subject to consolidation) financial status, significant risks and uncertainties.

NECMİ ÖZER

Chairman of the Audit Committee

PROF. DR. RESUL İZMİRLİ

Member of the Audit Committee

ABDULLAH TUĞCU

**Board Member in Charge of
Financial Affairs**

ABDURRAHMAN GÖK

Member of the Board of Directors

AUDIT REPORT ABOUT THE EARLY DETECTION OF RISK SYSTEM AND MANAGEMENT OF RISK COMMITTEE

To: The Board of Directors of İhlas Holding A.Ş

We have audited the early detection of risk system and the committee established by İhlas Holding A.Ş. ("Company") and its affiliates (will be jointly referred to as the "Group").

Board of Directors' Responsibility

As per the first paragraph of the 378th Article of the Turkish Code of Commerce n.6102 (TTK), the Board of Directors is responsible for establishing a specialized committee and developing and running a system in order to (i) achieve early diagnosis on all strategic, operational, financial, legal and all other risks that may threaten the existence, development, and continuity of the Holding, (ii) implement necessary measures and remedies, and (iii) manage the risks.

Auditor's Responsibility

Our Responsibility is to reach a conclusion regarding the Early Detection and Management of Risk Committee depending on the audit we have performed. Our audit was performed in conformity with the Turkish Code of Commerce, "Principles Regarding The Auditor Report On Early Detection and Management of Risk Committee" published by the Public Oversight, Accounting and Auditing Standards Authority and the code of ethics. These Principles require us to determine whether the Company's Early Detection and Management of Risk Committee was established or not, and to evaluate whether or not the system and the committee was functioning within the framework of the 378th Article of the Turkish Code of Commerce. The suitability of the remedies put forth by the Early Detection and Management of Risk Committee against the risks and the practices of the management against the risks, are not included within the scope of our audit.

Information about the Early Detection and Management of Risk Committee

The Group has established the early detection of risk system and the committee, where the committee is comprised of 2 members. Between 01.01.2018 and 31.12.2018, the Committee has prepared reports which include suggestions on early detection of issues that may jeopardize the Group's existence and development, necessary precautions to avoid these, and management of risks, and submitted these to the Board of Directors.

Conclusion

As the result of the audit we have performed, excluding the issue/issues stated in the below paragraph, we have concluded that İhlas Holding A.Ş. early detection of risk system and the committee is sufficient in all significant aspects within the framework of the 378th Article of the Turkish Code of Commerce.

According to article 378 of Turkish Code of Commerce, early detection of risk committees are obliged to submit a status report to the board of directors once in every two months. The Group's Early Detection of Risk Committee submitted 7 reports to the Board of Directors in 2018.

Istanbul, March 11, 2019

İRFAN BAĞIMSIZ DENETİM VE YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

SALIM AKGÜL, CERTIFIED PUBLIC ACCOUNTANT (YMM)

Chief Auditor

İHLAS HOLDİNG A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH
OF FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT FOR THE PERIOD BETWEEN
JANUARY 1, 2018 AND DECEMBER 31, 2018
(ORIGINALLY ISSUED IN TURKISH)



(Convenience Translation into English of Independent Auditor's Report
Originally Issued in Turkish)

**Independent Auditor's Report for the Period Between
January 1, 2018 and December 31, 2018 İhlas Holding A.Ş.**

To the Board of Directors of İhlas Holding Anonim Şirketi,

Opinion

We have audited the accompanying consolidated financial statements of İhlas Holding A.Ş. (the "Company"), and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of balance sheet as at December 31, 2018 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- *Impairment of Trade Receivables:* Explanations regarding the Group's trade receivables are included in Notes 2 and 10. Trade receivables should be tested for impairment annually, as required by TAS. Impairment of trade receivables includes significant estimates in terms of the Group management and material misstatement of trade receivables and/or impairment losses according to the applicable accounting principles and standards contains potential risks. As a result, the detection of the impairment of trade receivables is considered as key matter for audit of the consolidated financial statements. We performed the following procedures; understanding of trade receivables, testing for controls, aging client accounts, analytically investigating of aging, assessing key ratios, examining ongoing litigations against the Group from legal counsels, assessing the recognized provisions considering the past collection abilities according to the Group's prudence policy. Also, we performed confirmation letters of receivables, assessment of sample impairment of receivables according to current accounting principles, standards and fairness of impairment of receivables.

- *Construction projects:* Explanations regarding the Group's construction inventories and advances are included in Notes 2, 10, 13, 24 and 41. The Group recognizes construction inventories, advances and includes the liability for the provision of these inventories in the financial statements. Construction inventories consist of the land acquired by the Group for building residential properties for sale and the costs of the houses to be built on these land. Construction inventories and liabilities are considered as key matter for audit of the consolidated financial statements. We performed the following procedures; assessing the Group management's accounting policies of inventories, advances and trade payables in accordance with TAS and related legislation, understanding the Group's procurement process and evaluating the design and effectiveness of internal controls on the procurement process, evaluating the selection of realized transactions of construction inventories, advances and trade payables and determining appropriateness of transactions, reviewing of contracts for construction inventories, examining the sample documents processed through and analyzing construction projects.
- *Valuation of property, plant and equipment and investment properties:* Explanations regarding the Group's property, plant and equipment and investment properties are included in Notes 2, 17 and 18. The valuation of real estates includes significant estimates in terms of the Group's management. The changes in the key assumptions are led to an increase or decrease in the value of property, plant and equipment and investment properties. These valuations are based not on quoted prices in active markets, but on models developed by independent real estate valuation specialists determined by the Group's management, depending on the specific nature and conditions of these assets. The valuation of these real estates is a key matter for audit because there are significant estimates in these valuations. We performed the following procedures; evaluating the qualifications, independence of independent real estate valuation specialists appointed by the Group management for valuation of real estates and assessing appropriateness of used valuation methods and testing for accuracy of valuation.
- *Recoverability of deferred tax assets on unrecognized tax losses:* Explanations regarding the Group's deferred tax asset calculated on unrecognized tax losses are included in Notes 2 and 35. Deferred tax assets calculated on unrecognized tax losses of the Group are required to be reviewed annually in accordance with TAS. During the review process, future business plans and profit projections are taken into consideration of losses incurred in the current period and the date when the unrecognized tax losses can be used. The assumptions and uncertainties surrounding the estimation of future taxable profit affect deferred tax assets on unrecognized tax losses. Also, unrecognized financial losses are significant for the Group's financial statements and is considered as a key matter for audit. We performed the following procedures; controlling the Group management's approved plans and expiration dates of unrecognized tax losses, assessing future profit projections and current period profit or loss.
- *Employee termination benefits:* Explanations regarding the Group's employee termination benefits are included in Notes 2 and 22. The Group management calculates the provision for employment termination benefits by assuming various assumptions such as discount rate, inflation rate, real salary increase rate, resignation rates in calculation of provision for employee termination benefits. As a result, the employee termination benefits may differ from the amount in the statement of financial position, since the changes in the assumptions used in the calculation affect the valuation. We performed the following procedures; examining and questioning key assumptions such as discount rates, resignation rates, etc., controlling personnel information of calculated employee termination benefits and testing whether the assumptions used are within a reasonable range.



- *Recognition of revenues:* Explanations regarding the Group's recognition of revenues are included in Notes 2 and 28. Due to material importance, total revenue from variable channels such as construction, media, marketing segments and nature of the Group's operations, the recognition of revenues is considered as a key matter for audit. We performed the following procedures; assessing the Group management's accounting policies of revenues in accordance with TAS and related legislation, understanding the Group's revenue cycle and evaluating the effectiveness of its design and internal control of the revenue process, obtaining confirmation letters, determining appropriateness of transactions, reviewing of contracts for revenues, examining the sample documents processed through and analyzing revenues.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Other Responsibilities Arising From Regulatory Requirements

In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on March 11, 2019.

No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

The name of the engagement partner who supervised and concluded this audit is Salim AKGÜL.

İstanbul, March 11, 2019

İrfan Bağımsız Denetim ve
Yeminli Mali Müşavirlik A.Ş.

**Salim AKGÜL, YMM
Partner**



ihlas Holding A.Ş.**Contents Index**

Consolidated Statements of Financial Position	1-2
Consolidated Statements of Comprehensive Income	3-4
Consolidated Statements of Changes In Equity	5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	
Note 1 – Group’s Organization and Nature of Operations	7
Note 2 – Basis of Presentation of Consolidated Financial Statements	9
Note 3 – Business Combinations	30
Note 4 – Shares in Other Businesses	30
Note 5 – Segment Reporting	31
Note 6 – Cash and Cash Equivalents	34
Note 7 – Financial Investments	34
Note 8 – Financial Borrowings	36
Note 9 – Other Financial Liabilities	38
Note 10 – Trade Receivables and Payables	38
Note 11 – Other Receivables and Payables	39
Note 12 – Receivables From and Payables to Financial Sector Operations	40
Note 13 – Inventories	40
Note 14 – Biological Assets	40
Note 15 – Derivatives	40
Note 16 – Investments in Equity Instruments	40
Note 17 – Investment Properties	41
Note 18 – Property, Plant and Equipment	42
Note 19 – Intangible Assets	43
Note 20 – Government Benefits and Grants	44
Note 21 – Provisions, Contingent Assets and Liabilities	44
Note 22 – Provision for Employee Benefits and Payables Related to Employee Benefits	47
Note 23 – Pension Plans	48
Note 24 – Prepaid Expenses and Deferred Income	48
Note 25 – Current Tax Assets	49
Note 26 – Other Assets and Liabilities	49
Note 27 – Paid-in Capital, Reserves and Other Equity Items	49
Note 28 – Revenues	51
Note 29 – Expenses by Nature	52
Note 30 – Other Operating Income and Expenses	53
Note 31 – Income/Expenses from Investment Activities	54
Note 32 – Financial Expenses	54
Note 33 – Financial Income	54
Note 34 – Assets Held for Sale and Discontinued Operations	54
Note 35 – Tax Assets and Liabilities	55
Note 36 – Earnings/Losses per Share	57
Note 37 – Related Party Disclosures	57
Note 38 – Financial Instruments and Financial Risk Management	60
Note 39 – Financial Instruments (Disclosures about Fair Value and Hedging Accounting)	67
Note 40 – Subsequent Events	68
Note 41 – Other Items to Clarify and Explain the Financial Statements and Matters that Significantly Affect the Financial Statements	68

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Consolidated Statement of Financial Positions at December 31, 2018 and 2017

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		Audited	Audited
	Notes	December 31, 2018	December 31, 2017
ASSETS			
Current Assets			
		1,608,984,747	2,062,215,760
Cash and Cash Equivalents	6	38,017,127	18,109,173
Financial Investments		-	-
Trade Receivables		764,959,966	859,819,355
<i>Trade Receivables From Related Parties</i>	<i>10-37</i>	<i>1,351,928</i>	<i>1,018,010</i>
<i>Trade Receivables From Non-Related Parties</i>	<i>10</i>	<i>763,608,038</i>	<i>858,801,345</i>
Other Receivables	11	7,409,488	2,117,321
Inventories	13	587,748,895	817,948,796
Prepaid Expenses	24	146,677,751	310,899,598
Current Tax Assets	25	378,432	452,524
Other Current Assets	26	63,793,088	52,491,003
(Sub-Total)		1,608,984,747	2,061,837,770
Assets held for sale	34	-	377,990
Non-Current Assets			
		867,013,818	645,546,094
Financial Investments	7	914,306	914,306
Trade Receivables	10	166,574,308	75,528,720
Other Receivables	11	3,820,048	1,869,904
Investments Accounted for Using Equity Method	16	22,486,685	29,160,917
Investment Property	17	215,543,853	238,529,454
Property, Plant and Equipment	18	252,502,692	206,545,659
Intangible Assets		16,223,300	17,864,606
<i>Goodwill</i>	<i>19</i>	<i>6,975,245</i>	<i>9,692,733</i>
<i>Other Intangible Assets</i>	<i>19</i>	<i>9,248,055</i>	<i>8,171,873</i>
Prepaid Expenses	24	118,338,188	1,746,967
Deferred Tax Asset	35	70,610,438	73,385,561
TOTAL ASSETS		2,475,998,565	2,707,761,854

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Consolidated Statement of Financial Positions at December 31, 2018 and 2017

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited December 31, 2018	Audited December 31, 2017
LIABILITIES			
Current Liabilities		979,948,395	1,465,243,669
Short-Term Financial Borrowings	8	81,270,828	68,637,656
Short-Term Portion of Long-Term Financial Borrowings	8	65,699,243	46,779,734
Trade Payables		281,276,024	218,700,447
<i>Trade Payables to Related Parties</i>	<i>10-37</i>	<i>9,614,951</i>	<i>4,429,031</i>
<i>Trade Payables to Non-Related Parties</i>	<i>10</i>	<i>271,661,073</i>	<i>214,271,416</i>
Payables Related to Employee Benefits	22	26,103,107	20,638,561
Other Payables		10,402,624	5,307,609
<i>Other Payables to Related Parties</i>	<i>11-37</i>	<i>1,129,136</i>	<i>435,000</i>
<i>Other Payables to Non-Related Parties</i>	<i>11</i>	<i>9,273,488</i>	<i>4,872,609</i>
Deferred Income	24	450,731,435	1,053,588,471
Current Tax Provision	35	6,864,430	400,010
Short-Term Provisions	21-22	12,131,547	9,500,630
Other Current Liabilities	26	45,469,157	41,690,551
Non-Current Liabilities		682,441,614	414,196,651
Long-Term Financial Borrowings	8	249,666,903	202,922,007
Other Payables	11	30,594	30,594
Deferred Income	24	324,603,190	112,327,795
Long-Term Provisions		49,463,069	45,639,489
<i>Long-Term Provisions for Employee Benefits</i>	<i>22</i>	<i>48,432,196</i>	<i>44,290,814</i>
<i>Other Long-Term Provisions</i>	<i>21</i>	<i>1,030,873</i>	<i>1,348,675</i>
Deferred Tax Liability	35	44,624,039	31,340,677
Other Non-Current Liabilities	26	14,053,819	21,936,089
EQUITY		813,608,556	828,321,534
Equity Holders of the Parent		520,005,741	549,251,325
Paid-in Share Capital	27	790,400,000	790,400,000
Share Premium	27	7,260,265	7,260,265
Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss		86,004,462	76,327,966
<i>Increases/Decreases on Revaluation of Property, Plant and Equipment</i>	<i>27</i>	<i>92,827,143</i>	<i>80,654,433</i>
<i>Gains/Losses on Remeasurements of Defined Benefit Plans</i>	<i>27</i>	<i>(6,754,993)</i>	<i>(4,333,402)</i>
<i>Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss</i>	<i>27</i>	<i>(67,688)</i>	<i>6,935</i>
<i>Restricted Reserves Appropriated From Profits</i>	<i>27</i>	<i>21,196,531</i>	<i>21,422,891</i>
<i>Other Reserves</i>	<i>27</i>	<i>(44,598,745)</i>	<i>(39,136,386)</i>
<i>Prior Years' Profits or Losses</i>	<i>27</i>	<i>(301,665,632)</i>	<i>(349,769,331)</i>
<i>Profit/Loss for the period</i>	<i>36</i>	<i>(38,591,140)</i>	<i>42,745,920</i>
Non-Controlling Interests	27	293,602,815	279,070,209
TOTAL LIABILITIES AND EQUITY		2,475,998,565	2,707,761,854

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended December 31, 2018 and 2017

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited January 1 - December 31, 2018	Audited January 1 - December 31, 2017
Revenue	28	1,273,608,432	712,387,940
Cost of Sales (-)	29	(1,029,319,771)	(560,390,219)
Gross Profit/Loss		244,288,661	151,997,721
General Administrative Expenses (-)	29	(119,263,425)	(100,576,552)
Marketing, Selling and Distribution Expenses (-)	29	(29,514,584)	(38,409,785)
Research and Development Expenses (-)	29	(504,537)	(787,628)
Other Operating Income	30	74,568,509	145,080,785
Other Operating Expenses (-)	30	(114,413,914)	(61,534,418)
Operating Profit/Loss		55,160,710	95,770,123
Income from Investment Activities	31	47,278,812	16,247,398
Expenses from Investment Activities (-)	31	(14,205,926)	(16,523,614)
Share of Profit/Loss from Investments Accounted for Using Equity Method	16	(398,427)	(581,297)
Operating Profit Before Financial Income/ Expense		87,835,169	94,912,610
Financial Income	33	34,293,628	19,412,311
Financial Expense (-)	32	(136,979,706)	(86,288,344)
Profit Before Tax From Continuing Operations		(14,850,909)	28,036,577
Tax Income/ Expense of Continuing Operations	35	(17,751,376)	7,178,094
- Current Tax Expense for the Period	35	(9,292,029)	(6,108,165)
- Deferred Tax Income/ Expense	35	(8,459,347)	13,286,259
Profit For The Period From Continuing Operations		(32,602,285)	35,214,671
Period Profit/Loss From Discontinued Operations		-	-
Profit (Loss) For The Period	36	(32,602,285)	35,214,671
Distribution of profit of the year			
Non- Controlling Interests	36	5,988,855	(7,531,249)
Parent Shares	36	(38,591,140)	42,745,920
Basic Earnings Per Share	36	(0.0412)	0.0446
- Basic Earnings / Loss per Share from Continuing Operations	36	(0.0412)	0.0446
- Basic Earnings / Loss per Share from Discontinued Operations		-	-
Diluted Earnings Per Share		-	-

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.**Consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended December 31, 2018 and 2017**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited January 1 - December 31, 2018	Audited January 1 - December 31, 2017
Profit (Loss) For The Period	36	(32,602,285)	35,214,671
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss			
Gains/Losses on Remeasurements of Defined Benefit Plans		(2,408,271)	(1,368,677)
Increases/Decreases on Revaluation of Property, Plant and Equipment		13,980,437	5,834,890
Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss		(125,528)	(66,142)
Other Comprehensive Income		11,446,638	4,400,071
TOTAL COMPREHENSIVE INCOME		(21,155,647)	39,614,742
Distribution of Total Comprehensive Income			
<i>Non - Controlling Interests</i>		7,758,997	(6,425,739)
<i>Parent Shares</i>		(28,914,644)	46,040,481

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

iHLAS HOLDİNG A.Ş.

Consolidated Statements of Changes in Equity for the years ended December 31, 2018 and 2017

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss										Retained earnings/losses	
	Share of Other Comprehensive Income of Investments Accounted for Using Equity	Increases/Decreases on Revaluation of Property, Plant and Equipment	Gains/Losses on Remeasurements of Defined Benefit Plans	Prior Years' Profits or Losses	Profit for the period	Equity Holders of the Parent	Non-Controlling Interests	Total Equity				
	Reclassified to Profit or Loss	Reclassified to Profit or Loss	Reclassified to Profit or Loss	Reclassified to Profit or Loss	Reclassified to Profit or Loss	Reclassified to Profit or Loss	Reclassified to Profit or Loss	Reclassified to Profit or Loss	Reclassified to Profit or Loss	Reclassified to Profit or Loss	Reclassified to Profit or Loss	Reclassified to Profit or Loss
January 1, 2018	790,400,000	7,260,265	21,422,891	(39,136,386)	6,935	80,654,433	(4,333,402)	(349,769,331)	42,745,920	549,251,325	279,070,209	828,321,534
Total comprehensive income/loss	27-36	-	-	-	(74,623)	12,172,710	(2,421,591)	-	42,745,920	(28,914,644)	77,98,997	(21,155,647)
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	27	-	-	(5,456,089)	-	-	-	-	5,947,034	490,945	5,968,861	6,459,806
Increase (decrease) through other changes, equity	27	-	(226,360)	(6,270)	(67,688)	92,827,143	(6,754,993)	(301,665,632)	(589,255)	(821,885)	80,478	(7,137)
December 31, 2018	790,400,000	7,260,265	21,196,531	(44,598,745)	-	92,827,143	(6,754,993)	(301,665,632)	(38,591,140)	520,005,741	293,602,815	813,608,556
January 1, 2017	790,400,000	7,218,627	20,067,133	(39,020,867)	25,601	97,681,199	(2,958,805)	(433,327,470)	42,745,920	503,173,740	285,287,496	788,461,236
Total comprehensive income/loss	27-36	-	-	-	(18,666)	4,687,824	(1,374,597)	-	63,088,322	46,040,481	(6,425,739)	39,614,742
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	27	-	-	-	-	-	-	-	-	-	9,900	9,900
Increase (decrease) through other changes, equity	27	-	1,274,729	(15,519)	-	(217,459,000)	-	20,469,817	-	71,594	36,192	107,786
Transactions with non-controlling shareholders	27	-	810,29	(15,519)	-	-	-	-	-	(34,490)	162,360	127,870
December 31, 2017	790,400,000	7,260,265	21,422,891	(39,136,386)	6,935	80,654,433	(4,333,402)	(349,769,331)	42,745,920	549,251,325	279,070,209	828,321,534

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Consolidated Statements of Cash Flows

for the years ended December 31, 2018 and 2017

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited January 1 - December 31, 2018	Audited January 1 - December 31, 2017
Cash Flows from Operating Activities			
Profit/Loss for the period	36	(32,602,285)	35,214,671
Adjustments to reconcile Profit/Loss			
Adjustments for depreciation and amortisation expense	18,19	11,410,405	11,624,182
Adjustments for impairment loss			
Adjustments for provision/reversal of provision of receivables	10	4,488,877	(44,319,613)
Adjustments for impairment loss/reversal of impairment loss of inventories	13	(3,183,184)	(1,078,730)
Adjustments for impairment loss/reversal of impairment loss of goodwill	19	2,717,488	4,749,906
Adjustments for impairment loss/reversal of impairment loss of property, plant and equipment	31	2,830,465	-
Adjustments for provisions			
Adjustments for/reversal of provisions related with employee benefits		10,530,627	9,669,133
Adjustments for/reversal of lawsuit and/or penalty provisions	21	269,236	(2,737,935)
Adjustments for/reversal of warranty provisions	21	(7,069)	279,940
Adjustments for finance costs			
Adjustments for interest income	33	(5,620,638)	(10,365,155)
Adjustments for interest expense	32	70,287,577	63,770,958
Other adjustments for fair value losses/gains			
Adjustments for fair value losses/gains of investment property	31	(26,714,526)	(9,229,448)
Adjustments for undistributed profits of investments in equity instruments			
Adjustments for undistributed profits of associates	16	398,427	581,297
Adjustments for income/ expense caused by sale or changes in share of associates, joint ventures and financial investments	31	(6,110,699)	-
Adjustments for tax/income expenses	35	17,751,376	(7,178,094)
Adjustments for losses/gains on disposal of non-current assets		(3,536,923)	4,345,693
Adjustments for losses/ gains arising from sale of non-current assets or disposal groups classified as held for sale or as held for distribution to owners		17,116	-
Other adjustments for non-cash items		465,621	(48,751)
Changes in working capital			
Decrease/increase in trade receivables from non-related parties		(292,440)	(6,836,430)
Decrease/increase in trade receivables from related parties		(382,636)	2,482,543
Decrease/increase in other receivables from non-related parties	11	(7,215,480)	(482,250)
Decrease/increase in other receivables from related parties	11,37	(26,831)	-
Decrease/increase in inventories		233,383,085	(14,379,869)
Decrease/increase in prepaid expenses	24	47,630,626	(136,491,136)
Decrease/increase in trade payables to non-related parties	10	57,389,657	39,390,341
Decrease/increase in trade payables to related parties	10,37	5,185,920	324,140
Decrease/increase in payables related to employee benefits	22	5,464,546	994,336
Decrease/increase in deferred income	24	(390,581,641)	97,089,866
Decrease/increase in other payables to non-related parties	11	4,400,879	1,686,956
Decrease/increase in other payables to related parties	11,37	694,136	185,000
Decrease/increase in other assets	25,26	(11,227,993)	(12,876,793)
Decrease/increase in other liabilities		(4,905,743)	(2,076,747)
Cash Flows from Operations			
Income taxes paid/refund		(2,827,609)	(11,356,753)
Retirement provision paid	22	(7,348,960)	(6,841,062)
Net cash generated from operations (A)		(27,268,593)	6,090,196
Cash Flows from Investing Activities			
Purchase of property, plant, equipment and investment property	18	(19,277,486)	(11,456,533)
Purchase of intangible assets	19	(3,407,704)	(4,629,592)
Proceeds from sales of property, plant, equipment		707,141	26,822,240
Proceeds from sales of investment properties		35,691,272	375,864
Proceeds from sales of assets held for sale		360,874	-
Cash outflows from acquisition of assets held for sale	34	-	(377,990)
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures		12,260,975	(15,566,136)
Cash inflows from sale of shares of subsidiaries that doesn't cause loss of control		6,290,374	-
Cash outflows arising from additional share purchases of associates		-	(137,300)
Other inflows/outflows of cash		118,384	266,200
Net cash generated from investing activities (B)		32,743,830	(4,703,247)
Cash Flows from Financing Activities			
Interest received		3,434,735	558,635
Interest paid		(30,556,943)	(45,982,069)
Proceeds/repayments from financial borrowings, net		41,474,118	37,875,091
Net cash used in financing activities (C)		14,351,910	(7,548,343)
Net increase/(decrease) in cash and cash equivalents (D=A+B+C)		19,827,147	(6,161,394)
Cash and cash equivalents at the beginning of the period (E)	6	18,109,173	24,202,969
Cash and cash equivalents at the end of the period (F=D+E)	6	37,936,320	18,041,575

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 1 – Group’s Organization and Nature of Operations

İhlas Holding A.Ş. (“Parent Company”) was founded under the name of İhlas Matbaacılık ve Dağıtım Anonim Şirketi” on December 25, 1980. The Parent Company changed its name first to İhlas Matbaacılık ve Sağlık Hizmetleri A.Ş. on March 6, 1986, and subsequently to İhlas Holding A.Ş. on August 2, 1993. As a result of amendments to the Articles of Association; the Parent Company set construction, healthcare, marketing, domestic trade, education and soft drinks as its areas of business; and removed printing, newspaper and magazine publishing from the list. Although the Articles of Association of the Parent Company includes a diverse range of businesses, the legal entity of the Parent Company was active only in the construction, healthcare, education services and domestic trade sectors on the report date.

As of the balance sheet date, the Group employed a total of 2,589 people (December 31, 2017: 2,901), of which 849 (December 31, 2017: 863) worked for the Parent Company.

The Parent Company headquarters is located at “Merkez Mahallesi, 29 Ekim Cad., İhlas Plaza No:11, B/21 Yenibosna, Bahçelievler, İstanbul.”

The principal shareholders and their respective shareholding rates in the Parent Company are as follows:

Shareholder Name/Title	December 31, 2018		December 31, 2017	
	Share Ratio	Share Amount	Share Ratio	Share Amount
Publicly traded	86.37%	682,674,283	86.37%	682,674,283
Ahmet Mücahid Ören	10.58%	83,563,047	10.58%	83,563,047
Others	3.05%	24,162,670	3.05%	24,162,670
Total Capital	100,00%	790,400,000	100,00%	790,400,000

The distribution of the privileged shares of the Parent Company (Group B shares) as of the balance sheet date is as follows:

Shareholder Name/Title	Series	Group	Bearer/ Registered	Number of Shares	Amount
Ahmet Mücahid Ören	I	B	Bearer	3,579,750	35,797.5
Others	I	B	Bearer	920,250	9,202.5

The Parent Company’s Board of Directors are selected from Group B shareholders’ nominees of at least three board members if the Board of Directors are determined as 5 members; at least five board members if the Board of Directors are determined as 7 members; at least five board members if the Board of Directors are determined as 9 members; at least nine board members if the Board of Directors are determined as 11 members by the General Assembly.

Information regarding the operations of subsidiaries and associates of İhlas Holding A.Ş. is provided below, listed on the basis of their effective rates and number of privileged shares.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Subsidiaries Included in Consolidation

- 1. İhlas Pazarlama A.Ş.:** Involved in the manufacturing and sale of electrical, electronic and mechanical kitchen appliances, durable goods, as well as construction works.
- 2. İhlas Gazetecilik A.Ş.:** Publishes, sells, distributes and markets newspapers and all other types of publications, in Turkish and in foreign languages, both in Turkey and abroad.
- 3. İhlas Ev Aletleri İmalat San.Tic.A.Ş.:** Manufactures electrical home appliances.
- 4. İhlas Haber Ajansı A.Ş.:** Operates as a news agency.
- 5. İhlas Yayın Holding A.Ş.:** Joins or participates in the capital, management, and control of all types of partnerships, whether existing or to be established, which are, or will be, involved in all types of printed, audio-visual publishing, advertising and news agency activities as well as in other related industries, and establishes businesses and companies on its behalf in the aforementioned industries
- 6. Kuzuluk Kaplıca İnşaat Turizm Sağlık ve Petrol Ürünleri Tic.A.Ş.:** Operates a hot spring and health facility in Akyazi, Kuzuluk village of Sakarya.
- 7. İhlas Motor A.Ş.:** Involved in the manufacturing, assembling, trading, importing and exporting of all types of motorized and non-motorized vehicles and spare parts, and serves as a representative for real estate and durable/non-durable goods.
- 8. TGRT Haber TV A.Ş.:** **Mainly broadcasts;** produces and performs audio and visual recordings for television and radio programs, television films, videos and commercials; leases TV channels and sets up radio stations.
- 9. TGRT Dijital TV Hizmetleri A.Ş.:** **Mainly broadcasts -** produces and performs audio and visual recordings for television and radio programs, television films, videos and commercials; leases TV channels and sets up radio stations.
- 10. Bisiklet Pazarlama ve Tic. A.Ş.:** Markets bicycles, mopeds and spare parts.
- 11. İhlas Net A.Ş.:** Mainly offers IT and internet services, sets up networks and trades computers and computer components.
- 12. İletişim Magazin Gazt. Yan. San ve Tic. A.Ş.:** Prints and markets newspapers, magazines, books, etc (Note 3).
- 13. İhlas Yapı Turizm ve Sağlık A.Ş.:** Involved in the construction, installation and undertaking of projects; also invests, builds, sells and operates tourism and health facilities.
- 14. Cyprus Branch:** Established in the Turkish Republic of Northern Cyprus as a branch of İhlas Holding, this division distributes newspapers and markets electric home appliances.
- 15. İhlas Medya Planlama ve Satınalma Hiz. Ltd.Şti.:** Operates as an advertising, publicity, and photography agency (Note 3).
- 16. İhlas Gelişim Yayıncılık A.Ş.:** The Company's core business line is to circulate, sell, distribute and market newspapers and all forms of publications in Turkish and foreign languages in both Turkey and foreign countries (Note 3).

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

17. Armutlu Tatil ve Turizm İşletmeleri A.Ş.: Operates as a thermal spring tourism entrepreneur, the Company also manages the İhlas Armutlu Timeshare Holiday Village.

18. İhlas İnşaat Holding A.Ş.: The main purpose of the Company is to participate in the management and capital of primarily construction companies that are either established or will be established; and to establish commercial, industrial and financial enterprises for this purpose.

19. İhlas İnşaat Proje Taahhüt Turizm ve Tic. A.Ş.: Involved in tourism investments and management, real estate purchases and sales, construction projects, and the like.

20. Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.: Involved in representation, consultancy, import, export and domestic trading activities with regard to advertising, publicity, photography, publication and advertising agencies (Note 3).

21. Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.: Mainly involved in the production and marketing of catering.

22. KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.: Mainly involved in the operation of domestic and international shipping, personnel transport, storage and bonded warehousing.

23. İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Ordinary Partnership: İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Ordinary Partnership based on revenue sharing and apartment-for-land models to develop a project with the owners of the 92,293-square meter land registered on block 498, parcel 1 in the Güzelce neighborhood of Büyükçekmece district in Istanbul. The company was established as an ordinary partnership to mutually carry out the "revenue sharing in return for land" task on the land.

24. İhlas Marmara Evleri Ordinary Partnership: In order to construct residential and business properties with the land owner, Kiler Gayrimenkul Yatırım Ortaklığı A.Ş., of 31,309-square meter land registered on block 482, parcel 3 and 30,396-square meter land registered on block 484, parcel 12 in Yakuplu neighborhood of Beylikdüzü district in Istanbul, the Group signed "revenue sharing in return for land" agreement for construction, sales and marketing. The ordinary partnership is established for the construction of approximately 1,200 flats and 60 commercial units within the scope of the project which is planned to be started in 2017 and to be completed within 40 months from the signing of the contract.

Associates Included in Consolidation through Equity Method

1. İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş.: Within the framework of the decision of the General Assembly dated April 14, 2017, the Company changed its title as İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş., and it enlarged its activities on construction, marketing and energy sectors.

Subsidiaries Not Included in Consolidation (Based on Effective Rates)

1. İhlas Dış Ticaret A.Ş.: Involved in tourism investments and management, real estate purchase and sale, construction projects, etc.

2. İhlas Finans Kurumu A.Ş. in Liquidation: Utilizes the funds acquired through private current accounts and profit/loss accounts. The company is in the process of liquidation, with its operations having been discontinued as of the balance sheet date.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Financial Investments Not Included in Consolidation

- 1. Detes Enerji Üretim A.Ş.:** The Company is currently inactive. Its core business involves building, operating and renting electric power plants, producing electricity, and selling customers the electricity and/or capacity produced.
- 2. Mir Maden İşletmeciliği Enerji ve Kimya San. Ltd. Şti.:** Involved in mining, energy and chemical activities.
- 3. İhlas Holding A.Ş. - Belbeton Beton Elemanları Sanayi Üretim ve Tic. A.Ş. - Ulubol İnşaat Harfiyat Gıda Tur. San. ve Tic. Ltd. Şti. Ordinary Partnership:** Ordinary partnership established in order to become involved in construction operations.
- 4. Swiss PB AG:** The company is one of Switzerland's prime international financial institutions involved in businesses such as asset management and professional brokerage.
- 5. Doğu Yatırım Holding A.Ş.:** Established to make investments in Eastern and Southeastern Anatolia regions.

Note 2 – Basis of Presentation of Consolidated Financial Statements

A. Basis of Presentation

TAS Compliance Statement

The Group 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 Group's legal records, consolidated 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 of Turkey (POA), 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 in the Official Gazette dated June 13, 2013, and entered into effect on the date of issue to be valid as of the interim period of financial reports ending after April 1, 2013. The communiqué sets the policies, procedures and principles regarding the financial statements that will be drawn up by the businesses, and regarding 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 of Turkey (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 consolidated financial statements have been prepared based on the TAS and TFRS, and on the related appendices and comments. Moreover, the consolidated financial statements and footnotes have been presented in the formats and with the information required by the POA.

Related Parties

For the purpose of these consolidated financial statements, the Group's shareholders and group companies with indirect capital relationships with the Group, as well as board members and senior managers and other key executive personnel are defined as "related parties." Key management personnel include executives (administrative or otherwise) with direct or indirect authority and responsibility to plan, manage and control the Group's operations.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Related party transactions consist of the transfer of assets, services, or liabilities between related parties, regardless of whether a fee is applicable.

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

Note 37 provides information on the Group's balances and all transactions with regard to the companies it has direct or indirect relationships.

Comparatives and adjustment of prior periods' financial statements

The Group's financial statements are prepared comparatively with the previous year's so as to allow for the identification of financial status and performance trends. In order to provide comparability when the presentation or classification of items of financial statements changes, the financial statements are also reclassified accordingly.

If the Group retroactively applies an accounting policy or retrospectively restates an entity's financial statements or reclassifies items in its financial statements; the footnotes related to the 2-period table are presented for each of the following three tables of the consolidated statement of financial position (balance sheet), the other statements (profit or loss and other comprehensive income statement, consolidated statements of cash flows, consolidated statement of changes in shareholders' equity).

Explanation of Inflation Accounting and Presentation 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 POA was not applied to the Group's consolidated financial statements.

The enclosed consolidated financial statements have been prepared in Turkish lira (TL) with the inclusion of the consolidated financial statements dated December 31, 2018, and the consolidated financial statements from previous periods to be used for comparison.

As per TAS 21 standard "Effects of Changes in Foreign Exchange Rates", the Group 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.

Foreign currency closing rates published by the Central Bank of Turkey for the December 31, 2018 - December 31, 2017 period:

Currency	Foreign Exchange Rates (TL/Foreign Currency)	
	December 31, 2018	December 31, 2017
USD	5.2609	3.7719
EUR	6.0280	4.5155
GBP	6.6528	5.0803
CHF	5.3352	3.8548
SEK	0.5844	0.4569

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Continuity of Business

The Group's consolidated financial statements are prepared under the going concern principle.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously. Offsetting does not pertain to showing assets after deducting regulatory accounts, such as inventory impairment provisions and doubtful payables provisions.

B. Changes in Accounting Policies

Users of the financial statements should have the ability to compare the entity's financial statements over time with a view to determining the entity's financial position, performance and trends in cash flows. For this reason, the same accounting policies are applied in each interim period and every accounting period.

The following are not considered changes in accounting policies;

- the application of an accounting policy for transactions or events that differ intrinsically from those that occurred before,
- Implementation of a new accounting policy for transactions or events that have not arisen or are not significant.

The same accounting policies are applied by the Group as per the period consistency principle.

The New Standards, Amendments and Interpretations

The new standards, amendments and interpretations which are effective as of January 01, 2018 are as follows:

TAS 40 Investment Property

In these amendments, the transfer of real estate used by the owner of the investment property and the real estate used by the owner is clarified. These amendments have not affected the Group's financial position and performance. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2018.

TFRS 2 Share-based Payments

This arrangement provides some clarification on accounting for cash based share-based payment transactions and the classification of share-based payment transactions by new agreement features. These amendments have not affected the Group's financial position and performance. These amendments are to be applied for annual periods beginning on or after January 1, 2018.

TFRS 4 Insurance Contracts

These amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after January 1, 2018. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments have not affected the Group's financial position and performance.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

IHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

TFRS 9 Financial Instruments – Final Standard

TFRS 9 Financial Instruments is the replacement of TAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. TFRS 9 relies on a rational, single classification and measurement approach that reflects the business model and cash flow characteristics that are managed within financial assets. Based on this, a single model has been established that can be applied to all financial instruments that are subject to impairment accounting, with a forward-looking expected credit loss model that will enable credit losses to be accounted for more timely. In addition, TFRS 9 requires that banks and other entities choose an option to measure their financial liabilities at fair value, which is the so-called "own credit risk" that results in the recording of income in the profit or loss table due to a decrease in the fair value of the financial liability. The problem is addressed. The standard also includes a financial hedging model developed to better correlate the risk management economy with accounting practices. However, early application is allowed. In addition, early amendments to 'own credit risk' are allowed to be applied alone, without changing the accounting for financial instruments. TFRS 9 is effective for annual periods beginning on or after January 1, 2018.

TFRS 15 Revenue from Contracts with Customers

The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard establishes a model for accounting for and measuring the sale of certain non-financial assets (e.g. property, plant and equipment) that are not related to the ordinary activities of an entity to be applied to revenue generated from contracts with customers. There are two alternative applications for transition to TFRS 15; full retroactive application or modified retroactive application. When modified retroactive application is preferred, prior periods are not restated but comparative numerical information is provided in the footnotes of the financial statements. This amendment replaced TAS 11 "Construction Contracts" and TAS 18 "Revenue" standards. TFRS 15 is effective for annual periods beginning on or after January 1, 2018.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

This interpretation includes an explanation of the recognition of advances received or paid in foreign currency. According to this interpretation, it is stated that the transaction date should be based on the first transaction dates in non-monetary payments/purchases, and in case of multiple payments/purchases, transactions should be made according to each payment/purchase dates. There is a retrospective application option. These amendments have not affected the Group's financial position and performance. This interpretation are to be applied prospectively for annual periods beginning on or after January 1, 2018.

Annual Improvements to TFRSs - 2014-2016 Cycle

- TFRS 1 First-time Adoption of Turkish Financial Reporting Standards – Deleted the short-term exemptions in paragraphs E3–E7 of TFRS 1.
- TAS 28 Investments in Associates and os – Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity.

Improvements to TFRS 1 and TAS 28 will be applied prospectively for annual periods beginning on or after January 1, 2018. These amendments have not affected the Group's financial position and performance.

Standards published but not implemented and no early implementation

New standards, interpretations and amendments published as of the date of approval of the financial statements but not yet effective for the current reporting period and not early adopted by the Company are as follows. The Company will make necessary changes to affect its financial statements and footnotes after the new standards and interpretations have entered into force, unless otherwise stated.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

New and amended standards and interpretations that have been issued by the IASB and the POA, but whose effective dates are an advanced date or not early adopted:

IFRS 9 Financial Instruments – Amendments

These amendments are to be applied for annual periods beginning on or after January 1, 2019. These amendments confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The Group assesses the impact of the standard on its financial position and performance.

IFRS 16 Leases

The new standard removes the distinction between operating leases and financial leases, requiring that many leases for leaseholders be included in a single model. The accounting for the leaseholders has not changed substantially and the difference between operating lease and financial leasing continues. IFRS 16 will replace IAS 17, and IAS 17. The new standard is effective for annual periods beginning on or after January 1, 2019. Early application is permitted for IFRS 16 as long as IFRS 15 "Revenue from Contracts with Customers" is also applied. The Group assesses the impact of the standard on its financial position and performance.

IAS 19 Employee Benefits – Amendment

These amendments are to be applied for annual periods beginning on or after January 1, 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

IAS 28 Investments in associates and joint venture – Amendments

These amendments are to be applied for annual periods beginning on or after January 1, 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. These amendments are not expected to have an impact on the Group's financial position and performance.

IFRS Interpretation 23 Uncertainty over Income Tax Treatments

These amendments are to be applied for annual periods beginning on or after January 1, 2019. This IFRS clarifies how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. These amendments are not expected to have an impact on the Group's financial position and performance.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

IHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Annual Improvements to TFRSs - 2015–2017 Cycle

- TFRS 3 Business Combinations - The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- TFRS 11 Joint Arrangements - The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 Income Taxes - The amendments clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 Borrowing Costs - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

These interpretations are to be applied prospectively for annual periods beginning on or after January 1, 2019. These amendments are not expected to have an impact on the Group's financial position and performance.

New and revised standards and interpretations issued by the IASB but not published by the POA:

The new standards, interpretations and amendments to existing IFRS standards listed below have been published by the IASB but have not yet entered into force for the current reporting period. These new standards, interpretations and amendments have not yet been adapted to the TFRS by the POA and therefore do not form part of TFRS. The Company will make the necessary changes to its financial statements and footnotes after such standards and interpretations have been entered into force in TFRS.

TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments

These amendments are to be applied for annual periods beginning on or after January 1, 2020. These amendments clarifies definition of materiality and financial reporting framework; clarification on explanation of the definition of materiality; and inclusion of some guidance on non-essential information.

TFRS 3 Business Combinations – Amendments

These amendments are to be applied for annual periods beginning on or after January 1, 2020. With this amendment, the definition of entity is revised.

TFRS 17 Insurance Contracts

These amendments are to be applied for annual periods beginning on or after January 1, 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. These amendments are not expected to have an impact on the Group's financial position and performance.

C. Accounting Policies, Estimates and Errors

Accounting policy changes arising from the initial application of a new standard are, if any, applied retroactively or in accordance with the transition provisions. Significant changes in the accounting policy or changes in accounting policy that are not included in any transition clause are applied retrospectively and the financial statements are restated in the previous period's consol. Changes in accounting estimates are only applied in the current period in which the change is made, in the period in which the change is made, and prospectively, if it relates to future periods.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

D. Summary of Significant Accounting Policies

The preparation of financial statements in accordance with TAS/IFRS requires the use of certain significant accounting estimates. At the same time, the management is required to make some important decisions when determining the Group's accounting policies. Higher level of reasoning or complexity is discussed in Note 2.E to the explanations of the issues, assumptions or estimates that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with 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 approximates their fair value.

Trade Receivables

Trade receivables are related to commercial goods sold or services provided to customers. According to TFRS 15 Revenue from Contracts with Customers, the Group recognizes trade receivables at transaction price that do not comprise of any significant finance component.

Trade receivables, which comprise of significant finance component, are recognized at amortized cost using effective interest method. LIBOR rates are used as the effective interest rate for the Group due to the absence of any cash and cash equivalents in accordance with the commercial practices and due to the fact that the maturity difference is not applied to sales. The difference between the nominal value of the trade receivables with significant finance components and the discounted value is recognized as "credit finance income/expense arising from trading activities " according to TFRS 9 Financial Instruments standard.

The Group uses past credit losses to estimate expected credit losses. The Group measures the loss allowances regarding its trade receivables at an amount equal to lifetime expected credit losses. Uncollectible trade receivables are deducted from the provision account. The changes in the expected credit loss provisions are recognized in the income statement.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories includes all procurement costs, conversion costs and other costs incurred to bring the inventories to their present state and position. The unit cost of inventories is determined by the average cost method.

When the cost of inventories falls below the net realizable value, inventories are reduced to net realizable value and are recorded in "Cost of Sales" in the statement of comprehensive income for the year of impairment. The provision for impairment loss is reversed if it is proven that the circumstances causing the reduction of the net realizable value of the inventory have become invalid or the net realizable value has increased due to the changing economic conditions. The amount that has been canceled is limited to the amount of impairment that is previously recorded and is recorded in the "Cost of Sales" line. The Company management assesses whether there is any impairment in inventories as of the balance sheet date and if any. Replacement costs for the first materials and materials are used as the best measure reflecting the net realizable value.

If inventories are acquired on a deferred payment basis, if the difference between the purchase price and the prepaid price includes the significant finance component, these components are recognized as interest expense in the period in which they are financed.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Investment Properties, Property, Plant, Equipment and Intangible Assets

Investment Properties

Investment properties are real estate held (held by the lessee according to ownership or lease contract) (some or both of land or building or building) in order to obtain rental income or value increase gain or both.

Investment property is initially measured at cost. Transaction costs are also included in the initial measurement. Investment property acquired through finance leases are accounted for at fair value less the present value of the minimum lease payments.

In subsequent periods, the investment property is valued using either the fair value method or the cost method and the Group uses the fair value method to value the investment property.

Fair value of an investment property is determined as the price to be paid between market participants in a normal transaction at the measurement date, on the sale of an asset, or on a payback period. The fair value is determined based on the best estimate even if the real estate does not have a market. From this point of view, fair value can change depending on the forecast and changes in market conditions. Factors such as the inherent risks of the asset, market conditions, and depreciation are taken into account in determining the fair value.

Gains or losses arising from changes in the fair value of the investment property are included in profit or loss in the period in which they are incurred and are recognized in the Income/Expense from Investment Activities.

Lands and buildings are a separate tangible asset even though they are taken together and are accounted separately.

The properties leased and used by the parent or its subsidiaries are not included in the scope of investment property in the consolidated financial statements. These real estates are treated as real estates used by the owner and reported in property, plant and equipment.

Property, plant, equipment and Intangible assets

An item of property, plant, equipment and intangible asset that meets the criteria for recognition as an asset is measured at cost at initial recognition. In subsequent periods, they are valued using either cost or revaluation method.

Intangible assets represent rights and other intangible items. Intangible assets are reflected to the purchases before January 1, 2005 by deducting the accumulated amortization and impairment losses from the purchase cost values for items purchased after December 31, 2004 and the cost values adjusted for the effect of inflation as of 31 December 2004.

The initial costs of fixed assets are comprised of the purchase price including the customs taxes, non-refundable purchase taxes, direct costs incurred until the asset becomes operational and the asset is returned to its use.

In the cost model, presentations are made by subtracting accumulated depreciation and impairment losses from the cost values of property, plant, equipment and intangible assets.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

In the revaluation model, the fair value is the depreciation based on the revalued amount of a property, plant, equipment and intangible asset that can be measured reliably, after the asset is accounted for as an asset. The revaluation gross or net value method is used. Revaluations are made at the balance sheet date in such a way that the amount to be obtained by using the fair value is not significantly different from the carrying amount. Appreciation of the resulting value is attributable to the value increase fund under equity, while the value decreases are deducted from the pre-existing value increases if any, otherwise they are recorded in the account of Expense from Investment Activities.

The Group revaluates the revaluation model when there are significant changes in the real estates it uses and it uses the cost model because there is no active market for other property, plant, equipment assets and intangible assets other than real estate.

Provisions of TAS 2 "Inventories" and TAS 16 "Property, Plant and Equipment" are applied in the transfers of the Group to property, plant, equipment assets for use in operating activities. Accordingly, the fair value at the date of transfer is based on fair value.

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
Land improvements	50	Straight-Line
Buildings	50	Straight-Line
Machinery and equipments	3-20	Straight-Line
Vehicles	3-15	Straight-Line
Furniture and fixtures	2-50	Straight-Line
Other property, plant, equipment	2-30	Straight-Line
Rights	3-16	Straight-Line
Other intangible assets	3-15	Straight-Line

The useful life and depreciation method are regularly monitored and accordingly the method and the period of depreciation are considered to be consistent with the economic benefit to be gained from the related asset. If there is a change in the useful life, changes from the current year are reflected in the statement of comprehensive income.

Lands and buildings are a separate tangible asset even though they are taken together and are accounted separately. Depreciation is not allocated for assets such as land and land whose useful lives can not be determined or which have an indefinite useful life.

If there are any events or changes in the existing conditions that the carrying values of the property, plant and equipment cannot be recovered, the value of the property, plant and equipment is examined. In the event that such indications exist or the carrying amount exceeds the recoverable amount, the related assets are reduced to their recoverable amount. Realizable value is the higher of net selling price and value in use. When usage value is found, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects the risks specific to that asset. For assets that do not independently generate cash inflows in large amounts, the recoverable amount is calculated for the cash-generating unit to which that asset belongs. The related tangible asset is depreciated over the remaining estimated useful life. Depreciation amounts of property, plant and equipment are associated with operating expenses and cost of sales items in the statement of comprehensive income. Impairment losses are recognized in Expense from Investment Activities in the statement of comprehensive income.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group tests for impairment of assets and determines net selling prices by taking into consideration "second hand market values" of some assets and "amortized replacement costs" for non-second hand assets. Since the net selling prices for these assets are equal to or greater than the net carrying amount of the assets, the calculation of the value in use is not required and no provision for impairment is made. For certain assets (e.g. goodwill), if it is not possible to determine the net selling prices, the impairment test is performed based on the usage values.

An item of property, plant and equipment, and intangible assets is derecognized in the consolidated statement of financial position upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized as Income/Expense from Investment Activities in statement of profit or loss.

Research and development expenses

Expenses for research and development are charged against income in the period incurred except for project development costs which comply with the following criteria:

- The product or process is clearly defined and costs are separately identified and measured reliably,
- The technical feasibility of the product is demonstrated,
- The intention and possibility of using or selling the product,
- Possibility of the product to provide economic benefit in future,
- Adequate technical, financial and other resources required for completion of the project are available.

The costs related to the development projects are capitalized when the criteria above are met and amortized by straight-line basis over the useful lives of related projects.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group measures significant investment property and property, plant, equipment using the revaluation model on the basis of valuation transactions made by an independent expert who has relevant expertise and relevant professional background and up-to-date knowledge of the class and location of the property. Information on significant real estate properties is presented in the following table:

List of Real Estates Appraised for Fair Value	Fair Value	Revaluation Gain / Loss	Appraisal Date	Appraisal Methods	Fair Value Hierarchy
Yenibosna - İstanbul Real Estates	180,836,801	2,001,447	January 17, 2019	Peer Comparison and Discounted Income Methods	Level 2 and 3
Armutlu - Yalova Real Estates	82,335,000	2,082,404	December 31, 2018	Peer Comparison, Replacement Cost Methods	Level 2
Konak - İzmir Real Estates	27,125,000	5,940,451	January 9, 2019	Peer Comparison, Replacement Cost Methods	Level 2
Avcılar - İstanbul Real Estates	10,165,000	3,925,000	January 9, 2019	Peer Comparison, Discounted Income Methods	Level 2 and 3
Kuzuluk - Adapazarı Real Estates	17,010,000	508,599	December 30, 2018- January 17, 2019	Peer Comparison, Discounted Income, Cost Methods	Level 2 and 3
Beyliküzü - İstanbul Real Estates	55,430,000	23,770,364	January 17-21, 2019	Peer Comparison, Discounted Income and Cost Methods	Level 2
Kahramanlar - İzmir Real Estates	4,100,000	-	January 18, 2019	Peer Comparison Method	Level 2
Zonguldak Real Estates	1,610,000	(985,000)	January 18, 2019	Peer Comparison Method	Level 2
Tekkeköy - Samsun Real Estates	3,088,675	162,675	January 9-17, 2019	Peer Comparison, Discounted Income Methods	Level 2 and 3
Other Real Estates	38,439,615	7,908,247	December 25, 2018- January 17, 2019	Peer Comparison, Discounted Income, Cost ve Project Development Methods	Level 2 and 3

The significant unobservable data for non-financial assets measured by Level 3 inputs are expected market rent payments growth. If the expected market lease payment growth is high, the estimated fair value will also increase (decrease).

Significant unobservable data for non-financial assets measured by Level 2 inputs are precedent values based on the location and characteristics of the property. If the precedent values of similar properties increase (decrease) due to their location and characteristics, the predicted fair value will also increase (decrease).

Assets Held for Sale and Discontinued Operations

Assets that meet the criteria for classification as assets held for sale are measured at carrying amounts and depreciation over the assets is discontinued and presented separately in the balance sheet. In order for an asset to be classified as a held for sale asset, the asset (or group of assets to be removed) must be readily available for sale in the ordinary course of sale of such assets (or the group of assets to be dismissed) and highly likely to be sold. In order to increase the likelihood of a sale, an appropriate management stage has made a plan for the sale of the asset (or the group of assets to be removed) and an active program for the detection of the buyers and the completion of the plan has been initiated. In addition, the asset (or group of assets to be removed) must be actively marketed at a price consistent with its fair value. Various events or circumstances may extend the completion period of the sales process beyond one year.

If there is sufficient evidence that the related delay has occurred due to events or circumstances outside the control of the Group and the Group has a continuing sales plan for the sale of the related asset (or disposal group), the asset is to be classified as assets held for sale.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Impairment of Non-Financial Assets

If there are events or situations which the book value of assets subject to amortization may not be recoverable, the impairment test is applied. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. For purposes of assessing impairment, assets are grouped at the lowest level of identifiable cash flows (cash generating unit). At each reporting date, the Company assesses whether there is any indication that carrying value of assets except financial assets and deferred tax assets is impaired or not.

Taxation and Deferred Taxes

Tax expense / (income) of the Group is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

Current year tax liability is calculated on the portion of the period profit subject to taxation. The taxable profit differs from the profit stated in the income statement because it excludes income or expense items that can be taxable or deductible in other years and items that are not taxable or deductible. The Group's current tax liability is calculated by using the tax rate that is either legally enacted or the tax law is final.

Current tax payable is netted off with prepaid tax amounts in case they are paid or paid to the same tax authority. Deferred tax assets and liabilities are also netted.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values (balance sheet method/balance sheet liability method). These differences are divided into two categories: deductible and taxable. For all temporary differences in the nature of taxable deductible expenses, it is highly probable that future taxable income will be available for the reduction of these expenses in the future and is recognized in the deferred tax asset if the transaction is not part of a business combination or is not the result of the initial recognition of the obligation. All temporary differences subject to taxation are recognized in deferred tax liability. However, deferred tax is not recognized for temporary differences arising from the initial recognition of goodwill arising from the initial recognition of an asset or a liability, or from transactions that are not transactional.

In accordance with tax laws, unused tax losses and tax benefits are recognized as deferred tax assets if it is probable that future taxable income will be sufficient to offset them in the future.

Deferred income tax is calculated using tax rates that are currently enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized (Note 35).

Deferred tax assets and deferred tax liabilities are offset against each other if the same entity is subject to taxation and there is a legally enforceable right to offset current tax assets against current tax liabilities.

Business Combination and Goodwill

The purchase method is applied when all business combinations are accounted. Goodwill is calculated as the difference between the cost at the date of acquisition of the acquiree's share or the assets acquired and the fair value of net assets (assets for acquired assets).

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Over the fair value of net assets acquired with purchase price, the difference is reflected in the statement of financial position as goodwill. If the purchase price is less than the fair value of the acquired net assets, the difference is reflected in the statement of comprehensive income as a bargain purchase gain (negative goodwill). The honoraria resulting from the acquisition of the associates is included in the cost of the subsidiary and presented under the heading "Investments in Equity Instruments".

At each balance sheet date, the Group assesses goodwill for any indication that there is an impairment loss related to the cash-generating units that related to the goodwill. If such an indicator exists, the recorded value of that asset is compared with the net realizable value that is higher than the amounts that would be obtained through use or sale. If the value of the asset or any unit generating cash that the asset belongs to is higher than the net realizable value, the value has become impaired. Impairment losses are recognized in the statement of comprehensive income.

Business Combinations under Common Control

There is no specific accounting policy related to this transaction in TFRS since the main partnership is still unaffected and the main partnership is still jointly controlled. Accordingly, the Group has considered such business combinations within the scope of "TAS 8 Accounting Policies, Accounting Estimates and Errors Standard" and within the framework of the Resolution on Implementation of Turkish Accounting Standards dated September 11, 2018 regarding Accounting of Business Combinations under Common Control of the POA.

There are no goodwill or bargain purchase gain as a result of the legal mergers that have taken place by the entities controlled by the Group.

Leases

Finance Lease:

Finance leases that transfer all the risks and benefits of ownership of the leased asset to the Group are recognized at the inception of the lease on the basis of the fair value of the leased asset and the present value of the lease payments. Finance lease payments are allocated as principal and finance interest during the lease term to generate a fixed periodic rate of interest for the remaining debt for each period.

The fair value of financial leases is the purchase price used to purchase the asset and determined between the parties. Minimum lease payments include total liabilities such as principal, interest and tax, which are accounted for at the acquisition cost since their present value is not lower than the purchase price (capital).

Principal rent payments are shown as liabilities and are reduced as payments are made. Interest payments are expensed as interest expense in the comprehensive income statement over the term of the lease. Property, plant and equipment acquired under finance lease contracts are depreciated over the useful life of the asset.

Operational Lease:

Leases where the leaseholder holds all risks and benefits of the leased asset are classified as operating leases. Operational lease payments are recorded in the income statement as a straight line expense over the lease term.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Sale and Leaseback:

The Group has entered into a sale and leaseback agreement under which some of the land and buildings in investment properties are subject. The Group has considered this contract within the scope of TAS 17 "Leases" and the amount corresponding to the fair value of the real estate subject to the contract and collected from the financial leasing institution is accounted under "Financial borrowings" account in the financial statements.

Provisions for Employee Benefits

In accordance with Turkish Labor Law, the retirement pay provision shall be made in accordance with the Law on the Regulation of the Relations between the Employees of the Press Personnel and the Turkish Labor Code or by the completion of at least one year of service (at least 5 years service for the press staff), calling for military service, represents the discounted value of the estimated total liability of future liabilities at the balance sheet date. The actuarial valuation method has been used to reduce the retirement pay liability. Actuarial assumptions have been made for this. The most important of these is the discount rate used in discounts.

The rate to be used to discount defined benefit obligations (provisions for employee benefits) after leaving the office is determined by looking at the market returns for high quality corporate bonds at the balance sheet date. Because of the lack of a deep market for such securities, the real interest rate has been used, taking into account the market returns (compound interest rates) of government bonds (on the balance sheet date). In other words, inflation-adjusted interest rate (real interest rate) is used (Note 22).

In this context, financial institutions subject to labor law have accounted for the provision for severance indemnity at the actuarial method in the financial statements for the retirement of retirement benefits for all personnel or for the termination of the business relationship by calling for military service or for the future probable liability amounts in case of death.

The assumptions used in calculating the provision for employment termination benefits are explained in Note 22. According to Turkish Labor Law, if the employer has terminated the employment contract for any reason, unused vacation provision needs to be paid to him or his beneficiaries at the end of the contract. Unused vacation provision is recognized according to the stated framework.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are only recognized if the entity has a present and legally enforceable obligation (legal or constructive), it is probable that the economic benefits of the entity will be derecognized because of the obligation, and the amount of the obligation can be reliably determined.

In cases where it is expected that some or all of the expenditures required to fulfill an obligation related to the obligation are to be compensated by another party, the related indemnification shall be recognized in the financial statements. However, it is highly probable that the compensation will be obtained if the operator fulfills the obligation.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

One of three methods is used according to the situation which is subject to compensation in the case of provisioning. This method is applied when the time value of money is important. When the value of money is significant over time, the provisions are reflected by the reduced value of the possible future costs incurred on the balance sheet date. When discounted value is used, increases due to the passage of time are recorded as interest payments. Assuming that the time value of the money is significant, it is reduced by using the risk-free discount rate, which is based on the estimated cash flows at the same time as the estimated cash flow, assuming no risk or uncertainty in determining the estimated cash flows. The second method is the expected value method. This method is used when the counterpart is related to a large cluster or to a large number of events, and the liability is estimated taking into account all possible outcomes. The third method is to estimate the most probable outcome of a single obligation or event and to reflect the reversal in the balance sheet to the financial statements.

Liabilities and assets arising from past events that may be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not fully under the control of the entity are disclosed in footnotes, but not in the financial statements, but as contingent assets, liabilities and commitments (Note 21).

Warranty Provisions

Warranty provisions are the repairs and maintenance costs of the goods manufactured and sold by the companies, the labor and material costs incurred by the authorized services without customer compensation under the guarantee, the first maintenance costs incurred by the companies and the products that are recorded as income during the following years and the estimates of repair levels resulting from past experience are recorded.

Revenue

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognizes the revenue as the amount of the transaction price, invoice value of goods calculated by deducting discounts and commissions, that is allocated to that performance obligation.

Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time in consolidated financial statements. The Group recognizes revenue based on the following principles in consolidated financial statement:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of the transaction price in the contracts,
- Allocation of transaction price to the performance obligations,
- Recognition of revenue when the performance obligations are satisfied.

The Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations.

The transaction price in the contract usually includes a single amount. If there is more than one good or service to transfer in the contract, the Group allocates the transaction price to each performance liability. The Group measures non-cash price using fair value in order to determine transaction price related to agreements which include client's commitment to pay price except for cash.

At the beginning of the agreement, the Group evaluates the goods or services committed to the client in the agreement. The Group evaluates whether meeting the performance obligation during the agreement (in writing or orally) process.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group recognizes revenue as it meets the performance obligation of transferring the goods or services committed to the client. The Group recognizes the revenue, when the control of goods or services transfers to the client.

While evaluating the transfer of control of the goods and services, the Group considers the following indicators:

- Presence of the Group's collection right of the consideration for the goods or services,
- Customer's ownership of the legal title on goods or services,
- Physical transfer of the goods or services,
- Customer's ownership of significant risks and rewards related to the goods or services,
- Customer's acceptance of goods or services.

When the contract of promised goods and services effectively constitutes a financing component (credit finance), the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the credit finance consideration is recognised on an accrual basis as "other operating income".

Sale of goods (household appliances, real estate, motor vehicles etc.)

Revenue is recognized when the interest and benefits of the goods sold are transferred to the buyer and the amount of income can be reliably calculated. Net sales, discounts and commissions are the estimated future sales price.

Construction Revenues

As the Group does not have a progress payment amount, the revenue related to construction activities is measured according to TFRS 15 "Revenue from Contracts with Customers" standard. In TFRS 15, the conditions for the goods and services sales to be reflected in the financial statements are specified and the construction revenues are reflected to the financial tables in accordance with these conditions. In the sales made against advance payment, the risk remains until the goods are delivered and invoiced, and no revenue is generated until the goods are delivered and invoiced.

Service revenues (Advertisement, sponsorship, maintenance services, etc.)

The revenue generated from the service revenue is deemed to have occurred when the measurable completion rate is reached. Where income can not be reliably measured, income is considered as much as the recoverable amount of the expense incurred.

When there is reliable estimation of transaction outcome of service revenue, the Group recognizes its revenue with the level of completion as of the balance sheet date.

TFRS 15 "Revenue from Contracts with Customers" standard has no material impact on the Group's revenue recognition.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Settlement (“Barter”) Agreements

The Group is buying real estate for the provision of advertising services. The exchange of goods or services with similar characteristics and value is not defined as transactions that generate revenue, while the exchange of goods or services with different characteristics and value is defined as transactions that generate income. Revenue is recognized as the fair value of the goods or services received, including cash and cash equivalents transferred. Where the fair value of the service rendered can not be measured reliably, revenue is recognized as the fair value of the goods or services received, including cash and cash equivalents transferred. Settlement agreements are recorded on an accrual basis.

Unrealized Financial Income/Expenses

Unearned financial income/expenses represent financial income and expenses on credit sales and purchases. These revenues and expenses are calculated over the period of credit sales and purchases by the effective interest rate method and are presented under “other operating income/expense” item.

Borrowing costs

Borrowing costs directly attributable to the acquisition of qualifying assets are capitalized as part of the cost of the respective assets. Capitalization is ceased when the -operations to bring the qualifying asset ready for sale or use- are completed. Qualifying assets are those assets whose construction or production takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed in the period they occur.

In subsequent periods, the difference between the cash inflow provided and the payback value is recognized in the income statement over the period of the borrowing.

Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss by the weighted average number of ordinary shares outstanding during the year. The weighted average of the shares in circulation during the period is calculated taking into consideration the shares (bonus shares) issued without generating an increase in the sources.

Financial Instruments

Recognition and Derecognition of Financial Instruments:

The Group reflects the financial asset or liability in the consolidated statement of financial position only if it is a party to the contract of the financial instrument. The Group derecognizes the financial asset when it transfers the asset or fulfills the conditions of the exclusion from financial statements.

Fair Value of Financial Instruments:

Fair value of a financial instrument is determined by the market participants in normal transaction at the date of the measurement period or the price to be paid at the time of a debt.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Financial Assets:

The Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income (OCI). The classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. The Group performs the classification of financial assets at the acquisition date.

The Group initially recognizes financial assets carried at amortized cost at fair value on the transaction date. Subsequently, the Group measures these assets at amortized cost using effective interest method.

The Group initially recognizes financial assets carried at fair value through other comprehensive income at fair value on the transaction date. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for foreign exchange gains and losses. When an equity security is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings.

The Group initially recognizes financial assets carried at fair value through profit or loss, which are assets that are not measured at amortized cost or at fair value through other comprehensive income, at fair value on the transaction date. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

Financial Liabilities:

The Group subsequently recognizes all financial liabilities through amortized cost, except financial liabilities carried at fair value through profit or loss. The accounting policies for certain financial liabilities and equity instruments are as follows.

Short- and long-term financial borrowings are carried at amortized cost. Financial borrowings denominated in foreign currencies are translated at year-end exchange rates and approximate fair values are calculated.

In the event the Group 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, a possibility of refinancing is not considered and the liability is reset in the short-term.

Impairment on Financial Instruments:

“Realized credit losses model” was defined in TAS 39 “Financial Instruments: Accounting and Measurement Standard”, valid before January 1, 2018, instead, “expected credit loss model” defined in TFRS 9 “Financial Instruments” Standard.

The Group calculates impairment according to TFRS 9 “Financial Instruments” standard. The impairment model in accordance with TFRS 9 “Financial Instruments” applies to financial assets carried at amortized cost and contractual assets.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

At the end of each reporting period, the Group assesses whether there is objective evidence of impairment in financial assets and liabilities. The Group evaluates expected loss provision in financial instruments. The Group measures expected credit losses for a financial instrument to reflect:

- Weighted and unbiased amount according to the probabilities determined by considering possible results,
- Reasonable and supportable information based on past events, current conditions, forecasts of future economic conditions, which can be obtained without excessive cost or effort at the reporting date.

For all financial assets, except for the trade receivables where the carrying amount is reduced by the use of an allowance account, the impairment is directly deducted from the carrying amount of the financial asset.

The Group considers the default of a financial asset as the failure of the debtor to fully fulfill its credit obligation without applying any guarantee (if any).

Changes in the classification of financial assets and liabilities under TFRS 9 “Financial Instruments” are summarized below. These differences do not have an impact on the measurement of the Group’s financial assets:

Financial Assets	Original classification and measurement under TAS 39	New classification and measurement under TFRS 9
Cash and cash equivalents	Loans and receivables (effective interest method)	Amortized cost (effective interest method)
Trade receivables	Loans and receivables (effective interest method)	Amortized cost (effective interest method)
Financial investments	Available for sale financial assets (cost method)	Fair value through statement of other comprehensive income (fair value)

Financial liabilities	Original classification and measurement under TAS 39	New classification and measurement under TFRS 9
Borrowings	Amortized cost (effective interest method)	Amortized cost (effective interest method)
Trade payables	Amortized cost (effective interest method)	Amortized cost (effective interest method)

Trade Payables

Trade payables (inc. notes and trade payables) are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. If the expected period for the payment of trade payable is one year or less (or longer but is part of the working capital), these payables are classified as short-term payables.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Financial Risk Management

The Group is exposed to various financial risks due to its operations. These risks include; credit, exchange rate and liquidity risks. The Group’s overall risk management program focuses on minimizing the variability of financial markets and the potential adverse effects on the Group’s financial performance to a minimum level.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Credit Risk

Group's risk of credit is generally due to its trade receivables. Trade receivables are assessed in light of market conditions together with past experience in the management of the Group and provision for doubtful receivables is appropriately allocated. Provision is provided for doubtful receivables up to the reporting date.

Exchange Rate Risk

Currency risk arises from the fact that the value of any financial instrument changes depending on the currency exchange rate. The foreign currency transactions arising from the Group's operations, investments and financial activities are disclosed in Note 38 as of the report date. As of December 31, 2018, the Group's net foreign currency position is negative, and its foreign currency risk occurs when the TL depreciates against foreign currencies.

Liquidity Risk

Liquidity risk refers to the risk of encountering difficulty in obtaining funds to fulfill an operator's commitment to financial instruments. The Group manages liquidity risk by balancing the distribution of assets and liabilities.

Effects of Currency Exchange

The Group's currency is expressed in Turkish Liras ("TL"). The Group is based on the related currencies effective at the transaction date when the Group first acquires foreign currency transactions (currencies other than the functional currency of the related entity) in functional currency. Monetary assets and liabilities denominated in foreign currencies are measured at the rates prevailing at the balance sheet date and foreign exchange gains or losses are recognized in profit or loss in the related period. All monetary assets and liabilities are translated at period-end exchange rates and the related exchange differences are reflected in the profit or loss account. Non-monetary items that are denominated in foreign currencies and are measured at cost value are converted to functional currency at the dates of the initial transaction. Non-monetary items denominated in foreign currencies, which are measured at fair value, are translated into functional currency at the exchange rates prevailing at the time the fair value was determined.

Dividend

Dividend receivables are recognized as income in the period when they are declared. Dividend payables are reflected in the consolidated financial statements as a liability in the period when declared as an element of profit distribution.

Paid-in Capital

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

Share Premiums

Share premiums represent the difference arising from sale of shares belonging to the Group, to its subsidiaries or its investments that are valued through equity method, at a price higher than their nominal value; or from the difference between the nominal and fair values of shares issued by the Group in respect of the companies it has acquired.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Subsequent Events

Subsequent events represent events that occur in favor or against the business between the date of the balance sheet date and the authorization date for the release of the consent. According to TAS 10, if there are new evidence that the related events exist as of the balance sheet date in accordance with the " Events After Reporting Period" or if such events arise after the balance sheet date and these events necessitate correction of the financial statements, as appropriate. If these events do not require the restatement of the financial statements, the Group discloses them in the relevant footnotes.

Government Incentives and Grants

Government grants are recognized at fair value when there is a reasonable assurance that donations will be received and the Group meets the conditions for which it is obliged to comply. Government grants for costs and incentives are recognized as income consistently over the periods in which they match the costs they will meet.

Statement of Cash Flows

In terms of statement of cash flows, cash; cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments whose value is easily convertible into a certain amount of cash and whose value is not material to the risk of change. Cash equivalents are assets held for short term cash liabilities and are not used for investment purposes or other purposes. In order for an asset to be regarded as a cash equivalent, it is essential that the value can be transformed into a definite cash and the risk of change in value is insignificant. Accordingly, investments with a duration of 3 months or less are considered cash equivalent investments. Investments made in respect of securities representing equity are not considered cash equivalents unless they are essentially cash equivalents.

The Group prepares statement of cash flows to inform users of the ability to direct changes in the amount and timing of their changes in net assets, financial structure and cash flows according to changing circumstances.

In the statement of cash flows, the cash flows related to the turnover are reported in a form that is based on operations, investment and financing activities. Cash flows from operating activities represent cash flows arising from the entries in the Group's operating area. Cash flows from investing activities represent the cash flows from investment activities the Group uses in its investment activities (fixed investments and financial investments). Cash flows related to financing activities represent the resources used by the Group in its financing activities and repayments of those resources.

Segment Reporting

The Group management has organized the reportable segments of the Group as construction, marketing, media and other. The reportable segments of the Group are strategic business units that offer different products and services and the details are presented in Note 5.

Group Accounting

a) Consolidated financial statements are prepared by the parent company İhlas Holding A.Ş. and its subsidiaries. The financial statements of the companies included in the scope of consolidation have been prepared in accordance with TFRS, taking into account the uniform accounting principles and practices as of the date of the financial statements. The results of operations of subsidiaries and associates are included or excluded from the effective date of such transactions in accordance with the purchase or exemption procedures.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

IHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

b) Subsidiaries are entitled to exercise more than 50% of the voting rights of the Group either directly or indirectly, or companies that have the power and power to control their financial and operating policies in the interests of the Group, using the actual control over their financial and operating policies, while not having the authority to exercise more than 50% of the voting rights.

The following table shows the subsidiaries included in consolidation and their effective ownership interest as of balance sheet date:

Consolidated Subsidiaries	Effective Rates %
Ihlas Gazetecilik A.Ş. ⁽¹⁾	31.32
Ihlas Ev Aletleri İmalat San. Tic. A.Ş. ⁽¹⁾	21.74
Ihlas Pazarlama A.Ş.	98.32
Ihlas Haber Ajansı A.Ş. ⁽¹⁾	45.11
Ihlas Yayın Holding A.Ş. ⁽¹⁾	49.71
Kuzuluk Kapl. İnş. Tur. Sağ. Petr. Ür. Tic. A.Ş.	95.01
Ihlas Net A.Ş.	92.98
Ihlas Motor A.Ş.	95.03
TGRT Haber TV A.Ş. ⁽¹⁾	49.45
TGRT Dijital TV Hizmetleri A.Ş. ⁽¹⁾	49.53
Bisiklet Pazarlama ve Tic. A.Ş.	96.65
Ihlas Yapı Turizm ve Sağlık A.Ş.	94.10
Kıbrıs Bürosu	100.00
Armutlu Tatil ve Turizm İşletmeleri A.Ş.	95.00
Ihlas İnşaat Holding A.Ş.	95.00
Ihlas İnşaat Proje Taahhüt Turizm ve Tic. A.Ş.	90.25
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	50.70
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş. ⁽¹⁾	21.74
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş. ⁽¹⁾	21.74
Ihlas Pazarlama A.Ş. – İhlas Yapı Turizm ve Sağlık A.Ş. Adi Ortaklığı	99.54
Ihlas Marmara Evleri Ordinary Partnership	99.54

⁽¹⁾ Although the total effective shareholding ratio is less than 50%, when the capital structure of the companies is taken into account, the parent company is exposed to the volatility of these companies, they are entitled to these assets and have the opportunity to influence this asset by force; therefore they control and consolidated these companies.

The financial statements and income statements of the subsidiaries are consolidated using the full consolidation method and the carrying value of the shares held by the parent Company and its subsidiaries is deducted from the equity.

The Group considers the purchase and sale transactions of the non-controlling interests and the shares of the partnerships that it controls as the use of the main partner expansion method. Accordingly, the difference between the cost of acquisition and the net asset value of the share acquired in partnership is accounted for under shareholders' equity in extraordinary share purchases and sales. In other words, if there is no loss of control despite changes in the ownership ratio of a subsidiary of a parent, the changes occurring are accounted for as equity transactions.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Transactions and balances between the parent company and its subsidiaries are eliminated on consolidation basis. The cost of financing the shares held by the parent and its subsidiaries in the subsidiary and the dividends pertaining to these shares are deducted from equity and income for the period, respectively.

If the Group is no longer in control of the subsidiary, the Group's share on the subsidiary is measured at the fair value at the date the control is lost and the difference with the carrying amount is recognized in profit or loss in the statement of comprehensive income.

Fair value is the initial purchase price for the subsequent accounting of the shares held in associates, jointly controlled entities and financial assets. In addition, amounts previously recognized as other comprehensive income for the entity are recognized as if the related asset or liability were removed from the Group.

As of the balance sheet date, the financial statements of the subsidiaries that do not have significant cash flow and which are not monetary due to the financial position and the results of operations for the period then ended are not enumerated either individually or collectively. These subsidiaries are classified as available-for-sale financial assets in accordance with TAS 39 and are accounted for in this consolidated financial statements.

c) In the event that the investee, directly or indirectly, holds 20% to 50% of the voting right of the investee and it is not clearly stated otherwise, it is considered to have a significant effect on the said transaction and the invested company is considered as an affiliate.

Associates

Effective Rates %

Ihlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. (eski ünvanı: İhlas Madencilik A.Ş.) ⁽¹⁾	12,05
--	-------

⁽¹⁾ The invested business is regarded as an associate because the Group is represented on the board of directors or its equivalent administrative body of the business, and significant transactions are made between the invested business and the Group.

The equity method is applied when investments in associates are accounted for. According to the equity method, investment in associates is initially recorded at acquisition cost. After the acquisition date, the book value of the investment is increased or decreased to reflect the share of the investor's profit or loss of the invested company to the financial statement. The investor's share of profit or loss of the investee is accounted as profit or loss of the investor. In addition, the goodwill associated with the associate is included in the carrying amount of the investment in the associate.

Jointly controlled entities are companies that are subject to joint control of the Group and one or more enterprising partners and to which contractual economic activity is undertaken. The Group has used the equity method in consolidation of the joint venture. Jointly controlled entity in the equity method; In the Consolidated Consolidated Balance Sheets, the costs are included in the Group's post-acquisition changes to the net assets of the jointly controlled entity, and any impairment, if any, is deducted. The consolidated statement of comprehensive income reflects the share of the Group's joint venture in its operating results.

d) Financial investments in which the Group holds 20% or less voting rights are classified financial assets carried at fair value though OCI under TFRS 9 and are accounted for as a requirement of this standard; those fair values cannot be determined are evaluated with cost.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

E. Significant Accounting Judgments, Estimations and Assumptions

The preparation of consolidated financial statements requires the use of estimates and assumptions that could affect the amounts of assets and liabilities reported at the balance sheet date, the disclosure of contingent assets and liabilities and the amounts of income and expenses reported during the period. Accounting assessments, estimates and assumptions are continuously assessed based on past experience, other factors and reasonable expectations of future events with respect to those circumstances. Although these estimates and assumptions are based on management's best knowledge of current events and transactions, actual results may differ from their assumptions.

Significant estimates and assumptions the Group uses to prepare its consolidated financial statements are stated in the following footnotes:

Note 2/D	Determination of fair values
Note 35/B	Deferred tax assets and liabilities
Note 21	Litigation and warranty provisions
Note 22	Provisions for employee benefits
Note 2/D,17,18,19	Investment property, property, plant, equipment, useful lives, valuation allowances/ impairment provisions
Note 7 and 38/E	Financial investment appreciation/impairment
Note 10 and 38/E	Trade receivables impairment provision
Note 13	Inventory impairment provision

At the balance sheet date, the sources of the assumptions and uncertainties regarding the future period that may cause significant adjustments to the assets and liabilities in the next reporting period are explained below.

(a) Estimation of goodwill impairment

The Company tests each year for impairment in the light of the accounting policy in Note 2.D to determine whether there is any impairment in value. The recoverable value of cash generating units is calculated on the basis of usage value. These calculations require the use of estimates (Note 19).

The effects of the significant assumptions used in the base scenario of impairment tests have been analyzed for each cash generating unit. The sensitivity analysis of each rate used for goodwill calculation is summarized in the following table:

	Change	Sensitivity analysis
Discount rate	1% increase	TL 1,410 thousands (2017: TL 1,198 thousands) more goodwill impairment
Growth rate	1% decrease	TL 635 thousands (2017: TL 1,175 thousands) more goodwill impairment

(b) Deferred tax

Deferred tax is recognized in the income statement when it is probable that taxable income will be available in the future. Where it is probable that taxable profit will be realized, deferred tax asset is recognized in the income statement for all deductible temporary differences (Note 35).

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

(c) Provisions for changes in the useful lives and impairment, provision for impairment of doubtful receivables and litigation provisions are made by the management during the determination of useful lives

Determination of doubtful receivables (Note 10 and 38) and calculation of litigation reserves (Note 21) include significant assumptions and forecasts.

If the doubtful receivables can not be collected, the impairment will be reflected in the financial statements for impairment and the amount recorded in trade receivables will be reduced by this amount. Detailed information is given in Note 38.E.

The Group is based on estimated sales prices in the calculation of provision for the inventory impairment. Detailed information about the inventory impairment is given in Note 13.

The Group management is based on the experience of the appraisal team and legal arrangements when determining the useful lives of the property, plant and equipments.

The Group management is based on the opinions of legal counsel on the likelihood of loss of the related cases and/or possible consequences in the event of loss in determining the legal case. Detailed information is given in Note 21.

The Group calculates warranty provisions by estimating the costs of maintenance and spare parts, including labor and materials costs, estimated for the products sold under guarantee, repair and replacement parts, and possible replacement parts of the products sold during the following years. Detailed information is given in Note 21.

(d) Change in the fair value of investment property

In order to determine the fair value of the investment property, the Group evaluates an independent expert each year in accordance with the accounting policy in Note 2.D. These calculations require estimation.

The fair market value of investment property is determined based on the current market conditions. Detailed information is given in note 17.

(e) Retirement payments

The present value of the provision for employment termination benefits is determined on an actuarial basis using certain assumptions. These assumptions are used to determine the net retirement obligation (income) and include the discount rate. Any change in the underlying assumptions affects the recorded value of the pension liability.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group determines the appropriate discount rate at the end of each year. This rate is the percentage that should be used to calculate the present value of estimated future cash outflows required to meet pension obligations. When determining the appropriate discount rate, the Group considers high quality corporate bond rates in the same currency as the seniority obligation and in similar maturity periods. The sensitivity analysis of each rate used for severance payment liabilities calculation is summarized in the following table:

	Change	Sensitivity analysis
Discount rate	1% increase	TL 1,557 thousands (2017: TL 1,659 thousands) less severance payment liabilities
Non-payment of severance payment liabilities	1% increase	TL 671 thousands (2017: TL 803 thousands) less severance payment liabilities

Other factors that are significant for the termination liabilities are based on the current market conditions. Detailed information is given in Note 22.

(f) Determination of fair value

Information related to the determination of fair value of financial instruments is presented in Note 39.

The accounting and finance department of the Group has a valuation unit for valuation of investment properties and land and buildings, including Level 3 real values for financial reporting purpose. This unit directly reports to the accounting and finance director. Opinions and results on valuation processes are handled by the director and valuation unit in line with the Group's reporting dates.

The group annually appoints an external, independent and qualified specialist to determine the fair value of investment properties and land and buildings. The Group's non-financial assets measured at fair value at December 31, 2018 and December 31, 2017 are presented in Note 2.D.

It is expected that the effects of the past period will have a similar effect in the next period. In this respect, the footnotes affecting the assumptions included in the prior years' financial statements provide sufficient information and forecasts for future assessments.

Note 3 – Business Combinations

December 31, 2018:

Subsidiaries of the Group, İhlas Medya Planlama ve Satınalma Hiz. Ltd.Şti., İhlas Gelişim Yayıncılık A.Ş., İletişim Magazin Gazt. ve Tic. A.Ş. and Dijital Varlıklar Görsel Medya ve İnternet Hizm. Ltd. Şti. were merged entirely with all of their assets and liabilities on July 24, 2018, pursuant to articles 136 of the TCC No. 6102 and articles 19 and 20 of CTL No. 5520. No goodwill was derived since the aforementioned merger was completed between companies included in the consolidation.

Subsidiaries of the Group, isan Bisiklet Moped Otomotiv Sanayi ve Ticaret A.Ş. and İhlas Motor A.Ş. were merged entirely with all of their assets and liabilities on March 15, 2018, pursuant to articles 136 of the TCC No. 6102 and articles 19 and 20 of CTL No. 5520. No goodwill was derived since the aforementioned merger was completed between companies included in the consolidation.

December 31, 2017:

None.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 4 – Shares in Other Businesses

Details of the associates, which the Group shows as interests in other entities are accounted for by the equity method, are disclosed in Note 16.

The subsidiaries of the Group whose non-controlling interests are at significant levels are İhlas Gazetecilik (69%), İhlas Ev Aletleri (78%) and İhlas Yayın Holding (50%) and the total amount is TL 313,419,984 (previous year: TL 265,284,495). Non-controlling interests in other companies are not significant.

After the consolidation adjustments related to the mentioned subsidiaries, the summary financial information before elimination transactions are as follows:

	December 31, 2018	December 31, 2017
<i>Summary of Balance Sheet</i>		
Current assets	309,819,337	287,782,456
Non-current assets	485,203,421	315,823,767
Total liabilities	148,989,731	126,378,988
Net assets	646,033,027	477,227,235
<i>Summary of Statement of Profit/Loss</i>		
Revenue	306,499,116	235,648,524
Cost of sales	(255,461,909)	(202,581,153)
Gross profit/loss	51,037,207	33,067,371
<i>Summary of Statement of Cash Flow</i>		
Cash and cash equivalents at the beginning of period	839,762	1,238,659
Net increase/decrease in cash and cash equivalents	13,848,675	(398,897)
Cash and cash equivalents at the end of period	14,688,437	839,762

Sale of subsidiary share

The Company's subsidiary İhlas Yayın Holding A.Ş. sold 9,500,000 shares of its subsidiary İhlas Gazetecilik A.Ş. in the price range of TL 0.64-0.72 in Borsa İstanbul A.Ş. (BİST) on December 27, 2018. As a result of the sale, the parent company's effective rate decreased to 31%.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

IHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 5 – Segment Reporting

a) Basic information about reportable segments

The Group management organized the reportable segments of the Group as construction, marketing, media and other. The reportable segments defined as strategic business units, which produces different products and services. The reportable segment definitions is as follows:

Reportable segments Operations

Construction	Real estate trading, construction projects, installation and contracting works, tourism and health investments, marketing, operating and other construction operations
Marketing	Home appliances manufacturing, all kinds of motorized and non-motorized vehicles production, and import, export, consumer durable trade, and its marketing
Media	Publishing, selling, distributing and marketing of newspapers and all kinds of publications in Turkey and abroad, news agency, television and radio broadcasting, all kinds of advertising, relations, photography, advertisement, advertising agency
Other	Food production, marketing, transportation, personnel transportation, education and health services, tourism, hotel and other services

The Group management monitors its reportable segment performance with EBITDA (earnings before financial income/expense, tax income/expense, and other financial income/expense, credit finance income/expense arising from trading activities, foreign exchange gains/losses, and amortization and depreciation expense in Note 30). In addition, we included EBITDA of reportable segments in order to help investors for their analysis.

b) Department-based reporting is as follows;

January 1 – December 31, 2018 period;

	Construction	Media	Marketing	Other (*)	Group
Revenue	704,189,300	199,443,495	199,952,670	170,022,967	1,273,608,432
Cost of sales (-)	(585,788,611)	(178,686,939)	(135,656,806)	(129,187,415)	(1,029,319,771)
Gross Profit/Loss	118,400,689	20,756,556	64,295,864	40,835,552	244,288,661
Operating Expenses	(19,868,339)	(42,124,335)	(23,986,795)	(63,303,077)	(149,282,546)
Other Income from Operating Activities	13,050,249	15,931,044	38,102,489	7,484,727	74,568,509
Other Expenses from Operating Activities (-)	(21,350,896)	(18,212,982)	(65,109,952)	(9,740,084)	(114,413,914)
Profit/Loss from Operating Activities	90,231,703	(23,649,717)	13,301,606	(24,722,882)	55,160,710
Investment Activity Income/Expense (net)	(421,653)	14,808,034	8,217,604	10,468,901	33,072,886
Share of Profit/Loss from Investments Accounted for Using Equity Method	-	-	-	(398,427)	(398,427)
Profit/Loss before Financing Expense	89,810,050	(8,841,683)	21,519,210	(14,652,408)	87,835,169
Finance Income/Expense (net)	(9,372,472)	(423,578)	(37,890,587)	(54,999,441)	(102,686,078)
Profit/Loss from Continuing Operations, before tax	80,437,578	(9,265,261)	(16,371,377)	(69,651,849)	(14,850,909)
Tax Income/Expense (net)	(8,877,731)	(663,737)	(4,977,443)	(3,232,465)	(17,751,376)
EBITDA	77,467,034	1,913,833	49,891,972	12,939,381	142,212,220
Total Assets	1,142,027,443	311,630,230	581,686,176	440,654,716	2,475,998,565
Total Liabilities	959,904,565	117,829,901	202,324,217	382,331,326	1,662,390,009

(*) In the current period, revenue of TL 170,022,967 was reported as other. The revenues were generated from these operations: TL 85,062,695 from health (hospital, etc.); TL 37,435,508 from education; TL 29,139,388 from tourism and hotel business; TL 4,535,031 from catering; TL 10,081,922 logistics; TL 472,319 from IT services and the remaining balance of TL 3,296,104 was from other operations.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

January 1 – December 31, 2017 period;

	Construction	Media	Marketing	Other ⁽¹⁾	Group
Revenue	266,434,257	163,534,794	141,998,974	140,419,915	712,387,940
Cost of sales (-)	(202,526,061)	(149,744,017)	(106,529,000)	(101,591,141)	(560,390,219)
Gross Profit/Loss	63,908,196	13,790,777	35,469,974	38,828,774	151,997,721
Operating Expenses	(24,712,591)	(41,041,282)	(22,693,091)	(51,327,001)	(139,773,965)
Other Income from Operating Activities	19,823,390	26,715,368	64,833,919	33,708,108	145,080,785
Other Expenses from Operating Activities (-)	(11,931,746)	(10,248,234)	(36,382,672)	(2,971,766)	(61,534,418)
Profit/Loss from Operating Activities	47,087,249	(10,783,371)	41,228,130	18,238,115	95,770,123
Investment Activity Income/Expense (net)	(7,520)	1,445,366	(4,049,395)	2,335,333	(276,216)
Share of Profit/Loss from Investments Accounted for Using Equity Method	-	-	-	(581,297)	(581,297)
Profit/Loss before Financing Expense	47,079,729	(9,338,005)	37,178,735	19,992,151	94,912,610
Finance Income/Expense (net)	(3,420,035)	(2,185,975)	(40,533,398)	(20,736,625)	(66,876,033)
Profit/Loss from Continuing Operations, before tax	43,659,694	(11,523,980)	(3,354,663)	(744,474)	28,036,577
Tax Income/Expense (net)	(13,133,662)	(749,837)	21,840,101	(778,508)	7,178,094
EBITDA	36,702,008	(14,048,132)	34,067,882	26,580,578	83,302,336
Total Assets	1,207,397,443	288,455,513	544,786,079	667,122,819	2,707,761,854
Total Liabilities	1,062,132,213	98,607,455	174,047,122	544,653,530	1,879,440,320

⁽¹⁾ In the prior period, revenue of TL 140, 419,915 was reported as other. The revenues were generated from these operations: TL 65,927,343 from health (hospital, etc.); TL 35,348,420 from education; TL 25,900,190 from tourism and hotel business; TL 2,985,137 from catering; TL 7,114,172 logistics; TL 2,022,993 from sales of vehicles with or without engines; TL 455,519 from IT services and the remaining balance of TL 666,141 was from other operations.

Depreciation and amortization expenses of the Group for the marketing activities of TL 1,911,473 (previous period: TL 1,820,301), for construction activities of TL 746,294 (previous period: TL 711,000), for media operations of TL 4,938,954 (previous period: TL 5,425,970) and TL 3,813,684 (previous period: TL 3,666,911) in other operating segments.

Capital expenditures of the Group for the marketing activities of TL 3,691,723 (previous period: TL 3,567,666), for construction activities none (previous period: TL 2,416,636), for media operations of TL 4,845,072 (previous period: TL 6,387,558) and TL 14,148,395 (previous period: TL 3,714,265) in other operating segments.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

c) Reconciliation of segments

Revenue	January 1 – December 31, 2018	January 1 – December 31, 2017
Total revenue of reportable segments	1,227,668,211	589,988,964
Total revenue of other segments	185,562,875	239,613,368
Eliminations and adjustments	(139,622,654)	(117,214,392)
Consolidated revenue	1,273,608,432	712,387,940

Earnings before taxes	January 1 – December 31, 2018	January 1 – December 31, 2017
Earnings before taxes of reportable segments	78,291,537	19,161,391
Earnings before taxes of other segments	(35,236,206)	4,100,150
Eliminations and adjustments	(57,906,240)	4,775,036
Consolidated earnings before taxes	(14,850,909)	28,036,577

Assets	January 1 – December 31, 2018	January 1 – December 31, 2017
Total assets of reportable segments	3,041,926,243	2,737,361,129
Total assets of other segments	1,944,091,036	1,284,975,927
Eliminations and adjustments	(2,510,018,714)	(1,314,575,202)
Consolidated assets	2,475,998,565	2,707,761,854

Liabilities	January 1 – December 31, 2018	January 1 – December 31, 2017
Total liabilities of reportable segments	1,741,929,407	1,678,324,169
Total liabilities of other segments	494,695,787	645,615,833
Eliminations and adjustments	(574,235,185)	(444,499,682)
Consolidated liabilities	1,662,390,009	1,879,440,320

d) Segment reporting based on geographical areas

Since the Group mainly carries out its activities in Turkey, there is no report on the basis of geographical regions.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 6 – Cash and Cash Equivalents

	December 31, 2018	December 31, 2017
Cash	1,692,043	1,320,397
Banks		
<i>Current deposits</i>	<i>5,234,691</i>	<i>8,869,728</i>
<i>Non-restricted term deposits with a maturity of less than 3 months</i>	<i>22,228,231</i>	<i>1,845,000</i>
<i>Restricted term deposits with maturities of less than 3 months</i>	<i>3,649,723</i>	<i>382,343</i>
Credit card slips	3,794,131	4,550,646
Other cash equivalents	1,418,308	1,141,059
Total	38,017,127	18,109,173

Interest rate for restricted term deposits in TL: 16%-26% (December 31, 2017: 9% - 13%).

As of December 31, 2018 and 2017, cash and cash equivalents represented in consolidated cash flow statement are presented below:

	December 31, 2018	December 31, 2017
Total cash and cash equivalents	38,017,127	18,109,173
Interest accruals (-)	(80,807)	(67,598)
Cash and cash equivalents based on cash flow statement	37,936,320	18,041,575

Note 7 – Financial Investments**Short-Term Financial Investments**

December 31, 2018: None (December 31, 2017: None)

Long-Term Financial Investments

	December 31, 2018		December 31, 2017	
	Effective Rate %	Participation Amount, net	Effective Rate %	Participation Amount, net
İhlas Dış Ticaret A.Ş. (İhlas Dış Ticaret)	88.49	1,800,000	88.49	1,800,000
İhlas Finans Kurumu A.Ş. in Liquidation (IFK)	55.23	5,537,061	55.23	5,537,061
Detes Enerji Üretim A.Ş. (Detes Enerji)	21.70	6,075,878	21.70	6,075,878
İhlas Madencilik Enerji ve Ticaret A.Ş. (old title: Mir Maden İşletmeciliği Enerji ve Kimya San. Tic. Ltd. Şti.) (İhlas Madencilik)	16.96	2,515,000	16.96	2,515,000
Doğu Yatırım Holding A.Ş.	1.43	12,500	1.43	12,500
Swiss PB AG	0.43	726,365	0.43	726,365
İhlas Holding A.Ş. - Belbeton Beton Elemanları San. Ür. ve Tic. A.Ş. - Ulubol İnşaat Harfiyat Gıda Tur. San. ve Tic. Ltd. Şti. Ordinary Partnership (Ordinary Partnership)	1.00	-	1.00	-
		16,666,804		16,666,804
Impairment (-)		(15,752,498)		(15,752,498)
Total		914,306		914,306

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Reasons for not including those companies which have relations with the Parent Company and the subsidiaries in terms of capital, management and auditing, and the shares held by the Parent Company in the participation to the consolidation:

- İhlas Finans Kurumu A.Ş. is in the process of liquidation. The Group has allocated a provision for the entirety of its participation value; in other words, the financial statements of the aforementioned subsidiary no longer have financial importance according to the consolidated financial statements, and the company was therefore not included in the consolidation. The Group has no responsibility towards the aforementioned subsidiary other than the capital it has contributed. According to Article 480 of Turkish Commercial Code, the only shareholder obligation can be the capital contribution undertaken by the respective shareholder to the company, and this obligation is limited to the amount of capital that each shareholder has undertaken to contribute; additionally, this obligation ends with the contribution of the capital to the subsidiary.
- İhlas Dış Ticaret A.Ş. and Detes Enerji Üretim A.Ş. do not have financial importance according to the consolidated financial statements, and do not provide cash flow at a considerable level. Therefore, they were not included in the consolidation. The Group has no responsibility towards the aforementioned subsidiary other than the capital it has contributed.

The subsidiaries not included in the consolidation were recorded in the consolidated financial statements after the reduction, if any, of the provisions for impairment.

Information on financial statements of not consolidated subsidiaries and not consolidated associates from available for sale financial assets are as follows;

December 31, 2018	İhlas Dış Ticaret	Detes Enerji
Current Assets	409,682	6,026,262
Non-Current Assets	1,003,200	-
Current Liabilities	3,011,073	47,132
Long-Term Liabilities	-	-
Equity	(1,598,191)	5,979,130
Revenue	-	-
Net Profit/Loss	(580,872)	(9,289)

December 31, 2017	İhlas Dış Ticaret	Detes Enerji
Current Assets	617,929	6,026,335
Non-Current Assets	1,238,836	-
Current Liabilities	2,874,084	37,915
Long-Term Liabilities	-	-
Equity	(1,017,319)	5,988,420
Revenue	-	-
Net Profit/Loss	(60,966)	(6,972)

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

ihlas Finans Kurumu A.Ş. in Liquidation	December 31, 2018	December 31, 2017
Cash and cash equivalents	4,824	2,088
Banks	4,802	1,475
Investments in Liquidation	1,057,519,742	773,280,195
Loan Reserves	(88,928,213)	(66,878,684)
Various Receivables	29,691	21,287
Fixed Assets	34,687	34,686
Other Assets	5,290,487	5,089,610
Funds Collected	924,478,863	673,769,297
Taxes Payable and Legal Liabilities	203,289	249,145
Various Liabilities	43,891,097	32,130,291
Other Liabilities	33,774	11,412
Provisions	219,256	189,764
Equities	5,129,741	5,200,748
Total Income	2,863,328	5,170,701
Total Expenses	2,934,335	5,125,617
Net Profit/(Loss) for the Period	(71,007)	45,084

Note 8 – Financial Borrowings

	December 31, 2018	December 31, 2017
Bank loans	81,229,186	68,637,656
Finance leasing payables	41,642	-
Short - Term Financial Borrowings	81,270,828	68,637,656
Bank loans	65,039,620	41,603,669
Finance leasing payables	659,623	5,176,065
Short - Term Portion of Long - Term Financial Borrowings	65,699,243	46,779,734
Bank loans	245,959,919	199,627,967
Finance leasing payables	3,706,984	3,294,040
Long - Term Financial Borrowings	249,666,903	202,922,007

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

IHLAS HOLDİNG A.Ş.**Notes to the Consolidated Financial Statements
for the year ended December 31, 2018**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Bank Loans Details:

December 31, 2018					
	Currency	Interest Rates (%)		Maturity	TL Amount
		Minimum	Maximum		
	Revolving Loans	Maturities and range of interest rate vary.			4,153,355
	TL	Overdue loans			7,199,691
Short-Term Bank Loans	TL	17%	20%	Up to 3 months	847,529
	EUR	10%	11%	Up to 3 months	1,657,700
	TL	16%	38%	3 to 12 months	5,174,343
	EUR	10%	14%	3 to 12 months	62,196,568
					81,229,186
Long-Term Bank Loans	TL	13%	38%	1 to 5 years	179,612,117
	USD	6%	8%	1 to 5 years	59,586,478
	EUR	9%	10%	1 to 5 years	6,761,324
				245,959,919	
Short-Term Portion of Long-Term Bank Loans	TL	13%	38%	Up to 3 months	20,729,662
	USD	6%	8%	Up to 3 months	2,469,356
	EUR	9%	10%	Up to 3 months	1,259,681
	TL	13%	38%	3 to 12 months	29,751,387
	USD	6%	8%	3 to 12 months	6,031,746
	EUR	9%	10%	3 to 12 months	4,797,788
				65,039,620	

December 31, 2017					
	Currency	Interest Rates (%)		Maturity	TL Amount
		Minimum	Maximum		
	Revolving Loans	Maturities and range of interest rate vary.			5,162,249
	TL	Overdue loans			387,180
Short-Term Bank Loans	TL	15%	17%	Up to 3 months	3,389,340
	AVRO	7%	14%	Up to 3 months	42,390,968
	TL	16%	16%	3 to 12 months	4,438,744
	AVRO	10%	14%	3 to 12 months	12,869,175
					68,637,656
Long-Term Bank Loans	TL	13%	20%	1 to 5 years	163,390,141
	USD	6%	8%	1 to 5 years	36,237,826
				199,627,967	
Short-Term Portion of Long-Term Bank Loans	TL	15%	20%	Up to 3 months	7,775,267
	USD	6%	7%	Up to 3 months	4,913,406
	TL	13%	20%	3 to 12 months	23,589,067
	USD	6%	8%	3 to 12 months	5,325,929
				41,603,669	

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Payback plan analysis of long-term bank loans as of December 31, 2018 and 2017 are as follows:

Years	December 31, 2018	December 31, 2017
1 to 2 years	85,048,164	42,755,580
2 to 3 years	88,289,222	44,990,097
3 to 4 years	65,911,781	67,449,647
4 to 5 years	6,710,752	44,432,643
Total	245,959,919	199,627,967

Finance Leasing Details:

			December 31, 2018	December 31, 2017
	Currency	Maturity	TL Amount	TL Amount
Short-Term Finance Leasing Payables	EUR	Up to 3 months	41,642	-
			41,642	-
Long-Term Finance Leasing Payables	TL	1 to 5 years	3,106,651	2,938,676
	EUR	1 to 5 years	600,333	355,364
			3,706,984	3,294,040
Short-Term Portion of Long-Term Finance Leasing Payables	TL	Up to 3 months	146,736	894,253
	EUR	Up to 3 months	-	364,784
	TL	3 to 12 months	271,158	2,779,811
	EUR	3 to 12 months	241,729	1,137,217
			659,623	5,176,065

Lease transactions are reported with the present value of less than the fair value of the minimum lease payments and the fair values (purchase prices-principal payments) in the calculations made are lower than the present value of the minimum lease payments. At the balance sheet dates, financial leases are reported at their fair values.

As of December 31, 2018 and 2017, net borrowing liabilities reconciliation is listed below:

	December 31, 2018	December 31, 2017
Beginning of the period	318,339,397	273,750,937
Cash flow effect	11,301,173	13,351,865
Interest accruals	31,648,915	17,653,123
Foreign exchange effect	35,347,489	13,583,472
End of period	396,636,974	318,339,397
Cash and cash equivalents	38,017,127	18,109,173
Net borrowing liabilities	358,619,847	300,230,224

Note 9 – Other Financial Liabilities

December 31, 2018: None (December 31, 2017: None).

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 10 – Trade Receivables and Payables

	December 31, 2018	December 31, 2017
Trade receivables from related parties ^(*)	1,351,928	1,018,010
Trade receivables from non-related parties		
<i>Trade receivables</i>	<i>352,578,881</i>	<i>328,885,687</i>
<i>Notes receivables</i>	<i>862,169,866</i>	<i>959,615,606</i>
<i>Unearned finance income (-)</i>	<i>(153,001,247)</i>	<i>(136,000,645)</i>
<i>Provision for doubtful receivables (-)</i>	<i>(298,139,462)</i>	<i>(293,699,303)</i>
Total Trade Receivables (Short-Term)	764,959,966	859,819,355
Notes receivables	194,284,411	84,366,720
<i>Unearned finance income (-)</i>	<i>(27,710,103)</i>	<i>(8,838,000)</i>
Total Trade Receivables (Long-Term)	166,574,308	75,528,720

^(*) Details provided in Note 37.

Note 38-E explains in detail the aging analysis and any provisions reserved for overdue assets, for which the impairment provision was or was not recognized.

The statements related to the provisions for doubtful trade receivables:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Beginning of the period	(293,765,344)	(338,084,957)
Reversals of provisions during the period	6,398,503	52,576,789
Provisions during the period	(10,887,380)	(8,257,176)
End of the period	(298,254,221)	(293,765,344)

	December 31, 2018	December 31, 2017
Trade payables to related parties ^(*)	9,614,951	4,429,031
Trade payables to non-related parties		
<i>Trade Payables</i>	<i>196,812,201</i>	<i>108,446,444</i>
<i>Notes payables</i>	<i>85,762,117</i>	<i>121,166,231</i>
<i>Unearned finance expense (-)</i>	<i>(10,913,245)</i>	<i>(15,341,260)</i>
Total Trade Payables (Short-term)	281,276,024	218,700,446

^(*) Details provided in Note 37.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 11 – Other Receivables and Payables

	December 31, 2018	December 31, 2017
Other receivables from related parties ^(*)	26,831	-
Other receivables from non-related parties		
<i>Receivables from state agencies</i>	2,419,717	129,412
<i>Deposits and guarantees given</i>	2,056,637	720,582
<i>Personnel receivables</i>	831,693	923,995
<i>Other various receivables</i>	2,074,610	343,332
Other Receivables (Short - Term)	7,409,488	2,117,321
Deposits and guarantees given	3,820,048	1,869,904
Other Receivables (Long - Term)	3,820,048	1,869,904
	December 31, 2018	December 31, 2017
Other Payables to Related Parties ^(*)	1,129,136	435,000
Other Payables to Non-Related Parties		
<i>Deposits and guarantees received</i>	4,851,730	2,213,270
<i>Other various payables</i>	4,421,758	2,659,339
Other Payables (Short - Term)	10,402,624	5,307,609
Deposits and guarantees received	30,594	30,594
Other Payables (Long - Term)	30,594	30,594

^(*) Details provided in Note 37.**Note 12 – Receivables From and Payables to Financial Sector Operations**

December 31, 2018: None (December 31, 2017: None).

Note 13 – Inventories

	December 31, 2018	December 31, 2017
Raw materials and supplies	82,862,099	82,520,797
Work in progress	410,526,260	516,295,138
Finished goods	52,175,570	192,051,878
Merchandise	40,562,597	32,899,704
Goods in transit	10,723,950	6,780,735
Other inventories	813,211	498,519
Provision for impairment (-)	(9,914,792)	(13,097,975)
TOTAL	587,748,895	817,948,796

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group has construction inventories of TL 14,804,767 from Bizimevler 6 Project, TL 9,455,555 from Bizimevler 6 Metro Project, TL 6,931,441 from Bizimevler 7 Project, TL 102,241,411 from Bizimevler Güzelce Project, TL 253,326,224 from Kristalşehir Project, TL 70,064,006 from İhlas Marmara Evleri Ordinary Partnership Project, TL 9,129,000 from Armutlu Holiday Village 2nd Stage Project. Details about ongoing construction projects are presented in Note 41-a.

Goods in transit are invoiced to the Group by foreign vendors as of the balance sheet date but are composed of goods that have not yet been withdrawn from customs by the Group.

Inventories related impairment losses/impairment reversals are associated with the cost of sales.

Movement of provision for impairment on inventories is as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Beginning of the period	(13,097,975)	(14,176,705)
Provisions for impairment in the current period	(550,216)	(1,399,966)
Reversals of provisions in the current period	3,733,399	2,478,696
End of the period	(9,914,792)	(13,097,975)

Note 14 – Biological Assets

December 31, 2018: None (December 31, 2017: None).

Note 15 – Derivatives

December 31, 2018: None (December 31, 2017: None).

Note 16 – Investments in Equity Instruments

As of December 31, 2018 and 2017, the direct and indirect voting rights and the effective rates in the Group's associates are as follows:

Consolidated Associates (Equity method)	December 31, 2018		December 31, 2017	
	Effective Rate %	Total	Effective Rate %	Total
İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş.	12.05	22,486,685	13.23	29,160,917

	January 1 – December 31, 2018	January 1 – December 31, 2017
Beginning of the period	29,160,917	14,073,825
Share of associates' profit/loss	(398,427)	(581,297)
Share purchase/sale	(6,150,278)	15,566,136
Effect of changes in reserves of shares	-	138,462
Share of other comprehensive income	(125,527)	(36,209)
End of the period	22,486,685	29,160,917

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Summary financial statement information for İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. as of December 31, 2018 and 2017;

	December 31, 2018	December 31, 2017
Current Assets	211.016.703	127.723.978
Non-Current Assets	41.520.057	37.043.234
Current Liabilities	44.940.558	48.249.156
Long-Term Liabilities	96.880.090	3.233.088
Net Assets	110.716.112	113.284.968
Revenue	17.859.678	10.898.258
Profit/Loss from Continuing Operations, before tax	(4.134.605)	(2.685.713)
Other Comprehensive Income/Loss	(617.809)	(140.629)

İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. was assessed as a single cash-generating unit and subjected to impairment test; for this purpose, the stock exchange quote is taken into consideration in calculating the recoverable amount of the investment. As a result of the impairment test, no impairment was recognized for the investment as of December 31, 2018.

Note 17 – Investment Properties

As of December 31, 2018 and December 31, 2017, the movement table of the investment properties is as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Net book value at the beginning of the period	238,529,454	211,824,813
Additions	-	4,500,000
Disposals	(31,820,001)	(372,284)
Transfers ⁽¹⁾	(16,731,916)	13,569,765
Revaluation gain/loss	25,566,316	9,007,160
Net book value at the end of the period	215,543,853	238,529,454

⁽¹⁾ Transfers between investment properties, and property, plant, equipments and inventories.

Investment properties consist of land and buildings used by various organizations.

Financial expenses regarding investment properties are recognized in the related income statement and are not capitalized.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 18 – Property, Plant and Equipment

January 1 – December 31, 2018 period

	Land and buildings	Machinery and equipment	Furniture, fixtures and vehicles	Constructions in progress	Other PP&E	Total
Beginning of the period						
Cost	177,460,246	139,552,920	143,003,132	1,388,695	2,470,229	463,875,222
Accumulated depreciation	(3,410,914)	(120,759,053)	(130,876,445)	-	(2,283,151)	(257,329,563)
Net book value	174,049,332	18,793,867	12,126,687	1,388,695	187,078	206,545,659
Net book value at the beginning of the period	174,049,332	18,793,867	12,126,687	1,388,695	187,078	206,545,659
Additions	3,480,000	7,866,099	3,584,022	-	4,347,365	19,277,486
Disposals	-	(637,796)	(73,260)	-	-	(711,056)
Transfers ⁽¹⁾	16,731,916	-	-	-	-	16,731,916
Revaluation gain / loss	19,747,871	-	-	-	-	19,747,871
Current period depreciation	(578,321)	(4,704,486)	(3,129,511)	-	(676,866)	(9,089,184)
Net book value at the end of the period	213,430,798	21,317,684	12,507,938	1,388,695	3,857,577	252,502,692
Balance at December 31, 2018						
Cost	221,649,937	87,011,701	37,623,061	1,388,695	4,696,544	352,369,938
Accumulated depreciation	(8,219,139)	(65,694,017)	(25,115,123)	-	(838,967)	(99,867,246)
Net book value	213,430,798	21,317,684	12,507,938	1,388,695	3,857,577	252,502,692

January 1 – December 31, 2017 period

	Land and buildings	Machinery and equipment	Furniture, fixtures and vehicles	Constructions in progress	Other PP&E	Total
Beginning of the period						
Cost	221,423,985	159,550,073	142,238,003	1,423,901	2,470,229	527,106,191
Accumulated depreciation	(4,066,724)	(142,083,718)	(131,319,799)	-	(1,982,901)	(279,453,142)
Net book value	217,357,261	17,466,355	10,918,204	1,423,901	487,328	247,653,049
Net book value at the beginning of the period	217,357,261	17,466,355	10,918,204	1,423,901	487,328	247,653,049
Additions	-	6,237,838	5,041,081	177,614	-	11,456,533
Disposals	(30,984,452)	(26,149)	(104,819)	-	-	(31,115,420)
Transfers ⁽¹⁾	(18,021,179)	107,457	8,482	(212,820)	-	(18,118,060)
Revaluation gain / loss	6,361,290	-	-	-	-	6,361,290
Current period depreciation	(663,588)	(4,991,634)	(3,736,261)	-	(300,250)	(9,691,733)
Net book value at the end of the period	174,049,332	18,793,867	12,126,687	1,388,695	187,078	206,545,659
Balance at December 31, 2017						
Cost	177,460,246	139,552,920	143,003,132	1,388,695	2,470,229	463,875,222
Accumulated depreciation	(3,410,914)	(120,759,053)	(130,876,445)	-	(2,283,151)	(257,329,563)
Net book value	174,049,332	18,793,867	12,126,687	1,388,695	187,078	206,545,659

⁽¹⁾ Transfers between investment properties, and property, plant, equipments.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group has leased some of its production equipment with financial lease agreements. All leases are based on legal lease agreements. The machinery and equipments of the Group obtained through financial leasing are as follows:

	2018	2017
Balance at January 1		
Cost	16,366,941	16,204,940
Accumulated depreciation	(10,868,513)	(9,483,032)
Net book value	5,498,428	6,721,908
Net book value at the beginning of the period	5,498,428	6,721,908
Additions	-	162,000
Disposals	-	-
Current period depreciation	(1,440,452)	(1,385,480)
Net book value at the end of the period	4,057,976	5,498,428

Since property, plant and equipment are not within the scope of the special asset defined in TAS 23 "Borrowing Costs", finance expenses related to property, plant and equipment are related to the income statement.

The Group's mortgages on the properties are presented in Note 21.

Note 19 – Intangible Assets

a) Goodwill:

As of December 31, 2018 and December 31, 2017, the movement table of the goodwill is as follows:

	December 31, 2018	December 31, 2017
Beginning of the period	9,692,733	14,442,639
Provision for impairment during the period	(2,717,488)	(4,749,906)
End of period	6,975,245	9,692,733

The Group compared the goodwill amounts accounted in the consolidated financial statements in the impairment studies with values of use of the relevant cash generating units, as of December 31, 2018 and December 31, 2017. No impairment emerged as a result of these transactions in the current period.

The following assumptions were used in calculation of the goodwill impairment:

- Weighted Average Capital Cost calculated as 18–20 percent as the discount rate of the usage value within the scope of the Capital Asset Pricing Model.
- Projections include year 2023 with the calculated growth rates of 13%-14%
- Inflation rate estimations for the two years following the current reporting period were based on the expectations of the Central Bank of Republic of Turkey.
- Sales income in the projected period was calculated based on the course of the industries in which companies with calculated goodwill are included.

Goodwill carried onto the consolidated financial statements is derived from the acquisition of the companies is as follows: Şifa Yemek (2018: TL 6,975,245; 2017: TL 9,692,733).

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

b) Other Intangible Assets:

	2018	2017
Balance at January 1		
Cost	156,255,430	151,590,465
Accumulated amortization	(148,083,557)	(146,156,523)
Net book value	8,171,873	5,433,942
Net book value at the beginning of the period	8,171,873	5,433,942
Additions	3,407,704	4,629,592
Disposals, net	(10,301)	(56,093)
Transfers	-	96,881
Current period amortization	(2,321,221)	(1,932,449)
Net book value at the end of the period	9,248,055	8,171,873
Balance at December 31		
Cost	96,766,151	156,255,430
Accumulated amortization	(87,518,096)	(148,083,557)
Net book value	9,248,055	8,171,873

There are no pledges, restrictions or mortgages on the intangible assets of the Group (December 31, 2017: None).

Note 20 – Government Benefits and Grants

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş., a Group company, has been included in the account of restricted reserves for profit of TL 816,731 related to the cleaning robot developed by the Company in the account of share capital (Note 27). In the current period, the R&D discount for corporate tax is TL 2,115,769 (previous term: TL 1,426,614).

Note 21 – Provisions, Contingent Assets and Liabilities

Provisions

	December 31, 2018	December 31, 2017
Warranty provisions	165,521	166,338
Provisions for litigation	9,031,819	8,451,033
Other Short - Term Provisions	9,197,340	8,617,371
Warranty provisions	474,118	480,370
Provisions for litigation	556,755	868,305
Other Long - Term Provisions	1,030,873	1,348,675

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The movement tables of the warranty provisions and provisions for litigation are as follows:

Warranty provisions	January 1 – December 31, 2018	January 1 – December 31, 2017
Beginning of the period	646,708	366,768
Current period provisions/reversal of provisions	(7,069)	279,940
End of the period	639,639	646,708

Provisions for litigation	January 1 – December 31, 2018	January 1 – December 31, 2017
Beginning of the period	9,319,338	12,057,273
Current period provisions/reversal of provisions and payments	269,236	(2,737,935)
End of the period	9,588,574	9,319,338

b) Commitments, letter of guarantees, guarantee notes given, mortgages and pledges given by the Group:

The following tables show the Group's letters of guarantees, guarantee notes given, mortgages and pledges (GNMP) position as of December 31, 2018 and December 31, 2017:

Total GNMP given by the Company (TL Equivalents) (December 31, 2018)	USD	EUR	TL	TOTAL (TL Equivalents)
A. Total amount of GNMPs given in the name of its own legal personality	6,765,000	9,667,751	315,697,439	409,564,631
B. i. Total amount of GNMPs given to subsidiaries and associates in the consolidation by the parent company	3,331,539	15,589,725	213,296,126	324,797,882
B. ii. Total amount of GNMPs given to subsidiaries and associates in the consolidation in their own favor and to each other	63,000	132,441	95,810,454	96,940,245
B. iii. Total amount of GNMPs given to the parent company by subsidiaries and associates in the consolidation	25,864,726	2,903,156	245,286,751	398,858,712
C. Total amount of GNMPs given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other GNMPs given	-	-	14,790	14,790
i. Total amount of GNMPs given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of GNMPs given to on behalf of other group companies which are not in scope of B and C.	-	-	14,790	14,790
iii. Total amount of GNMPs given on behalf of third parties which are not in scope of C	-	-	-	-
Total	36,024,265	28,293,073	870,105,560	1,230,176,260
The Group's Total Equity	813,608,556			
The Group's Other Total GNMP to its Total Equity	0.01%			

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Total GNMP given by the Company (TL Equivalents) (December 31, 2017)	USD	EUR	TL	TOTAL (TL Equivalents)
A. Total amount of GNMPs given in the name of its own legal personality	6,865,000	17,337,129	341,243,828	445,423,729
B. i. Total amount of GNMPs given to subsidiaries and associates in the consolidation by the parent company	3,338,274	17,259,088	211,045,231	301,570,279
B. ii. Total amount of GNMPs given to subsidiaries and associates in the consolidation in their own favor and to each other	77,500	310,995	46,997,445	48,694,065
B. iii. Total amount of GNMPs given to the parent company by subsidiaries and associates in the consolidation	26,036,867	4,236,548	249,994,195	367,332,786
C. Total amount of GNMPs given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other GNMPs given	-	-	83,290	83,290
i. Total amount of GNMPs given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of GNMPs given to on behalf of other group companies which are not in scope of B and C.	-	-	83,290	83,290
iii. Total amount of GNMPs given on behalf of third parties which are not in scope of C	-	-	-	-
Total	36,317,641	39,143,760	849,363,989	1,163,104,149
The Group's Total Equity				828,321,534
The Group's Other Total GNMP to its Total Equity				0.01%

Details regarding the disclosure on the contingent assets, liabilities, and commitments given in the GNMP table above are listed below:

- İhlas Pazarlama A.Ş.'s shares with a nominal value of TL 21,600,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against Halk Bank.

- İhlas Pazarlama A.Ş.'s shares with a nominal value of TL 6,000,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- İhlas Pazarlama A.Ş.'s shares with a nominal value of TL 6,000,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against KVV Kooperationsgell schaft für Warenverkehr Mbh.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 40,000,000 in İhlas Yayın Holding A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 8,000,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 12,804,469 in İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

- İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. (the Group company)'s shares with a nominal value of TL 10,000,000 in İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against KVV Kooperationsgell schaft für Warenverkehr Mbh.

- İhlas Yayın Holding A.Ş. (the Group company)'s shares with a nominal value of TL 8,500,000 in İhlas Gazetecilik A.Ş. have been pledged as a guarantee to public institutions.

- İhlas Yayın Holding A.Ş. (the Group company)'s shares with a nominal value of TL 31,000,000 in İhlas Gazetecilik A.Ş. have been pledged as a guarantee of past and future liabilities against Deniz Bank.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 5,500,000 in İhlas Gazetecilik A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- There is a restricted term deposits in the amount of TL 3,059,723 belonging to İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Ordinary Partnership, the Group company, in connection with the Bizimevler-Güzelce project built by the company.

There are mortgages totaling TL 439,335,392, USD 26,515,000 and EUR 7,518,470 on the property held by the Group on the basis of property, plant and equipment and investment properties (December 31, 2017: TL 439,335,392, USD 26,515,000 and EUR 15,975,778).

As of the reporting period, the minimum lease payments to be made in the future within the scope of operating lease that can not be canceled are as follows; Less than 1 year: TL 75,525, EUR 54,188 (December 31, 2017: TL 1,100, EUR 8,046); More than 1 year and less than 5 years: 74,544 EUR (December 31, 2017: EUR 6,924). In addition, a lease is made for one of the properties until 2043 and the rent payments are 1% of the annual revenue of the Company. In the reporting period, the Group expensed TL 34,657 and EUR 33,982 (December 31, 2017: TL 162,517, EUR 8,046) as operating lease in comprehensive income statement.

Summarized information on litigations and enforcement proceedings related to the Group as of December 31, 2018 listed as follows:

	Amount (TL)
Pending litigation initiated by the Group	17,292,189
Enforcement proceedings filed by the Group	21,879,183
Ongoing litigations initiated against the Group	13,525,033
Enforcement proceedings filed against the Group	16,506,261

As presented in the chart above, the Group has ongoing litigations of TL 13,525,033 and the Group has allocated provision amounting to TL 9,588,574, and the remaining TL 3,936,459 does not include any provision for the reason that it is probable that the portion will be recovered.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

IHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 22 – Provision for Employee Benefits and Payables Related to Employee Benefits

	December 31, 2018	December 31, 2017
Due to personnel (wages, pension)	17,949,612	14,380,525
Social security premiums	8,153,495	6,258,036
Payables Related to Employee Benefits	26,103,107	20,638,561

	December 31, 2018	December 31, 2017
Unused vacations	2,934,207	883,259
Short-Term Provisions for Employee Benefits	2,934,207	883,259
Provisions for severance payments	48,432,196	44,290,814
Long-Term Provisions for Employee Benefits	48,432,196	44,290,814

According to the Labor Law, the Group is legally required to offer a severance payment to an employee who has been terminated without due cause, on the condition of his/her being employed for at least one year; or who has been drafted into the military, has died, or has retired upon reaching retirement age (58 for females and 60 for males); and after 25 years of service for males and 20 years for females. As of December 31, 2018, the maximum payable amount is one month's salary for each employee for each year of service, subject to an upper limit of TL 5,434 (December 31, 2017: TL 4,732).

On the other hand, according to the Law on the Regulation of Relationships between Employees and Employers Engaged in the Profession of the Press, the Company is obliged to pay severance to each employee who is subject to this law, who has worked for a minimum of 5 years and whose employment is terminated without due cause. The maximum payable amount is 30 days' salary for each year of employment. There is no severance payment caps for press staff.

Currently, no regulations exist for retirement commitments aside from the legal requirements delineated above. Early retirement rights of people working in press, publishing, packaging and printing works have been nullified since October 1, 2008.

No funds were allocated for such a liability since there are no requirements to allocate 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 Group's employees.

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 current legal obligations were used for each company to determine the total obligation.

	December 31, 2018	December 31, 2017
Discount rate	4.95%	3.72%
Average rate of non-payment of severance payment liabilities	12.3%	10.0%

The principal assumption in calculating the long-term provision of employee benefits is that the maximum provision for each year of service will increase in line with inflation. Thus, the discount rate applied represents the adjusted real-rate according to the expected effects of inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 6,017 which is effective from January 1, 2019 (January 1, 2018: TL 5,002) has been taken into consideration in calculating the provision for employment termination benefits.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Provisions for severance payments activities table is listed as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Beginning of the period	44,290,814	40,635,156
Payments	(7,348,960)	(6,841,062)
Actuarial gain/loss	3,010,663	1,710,846
Provision during period	8,479,679	8,785,874
End of the period	48,432,196	44,290,814

Note 23 – Pension Plans

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

Note 24 – Prepaid Expenses and Deferred Income

	December 31, 2018	December 31, 2017
Advances given ^(*)	137,665,836	300,858,647
Work advances	6,751,046	7,929,343
Prepaid expenses	2,258,324	2,080,182
Personnel advances	2,545	31,426
Prepaid Expenses (Short-Term)	146,677,751	310,899,598

Advances given ^(*)	116,468,572	1,157,078
Prepaid expenses	1,869,616	589,889
Prepaid Expenses (Long-Term)	118,338,188	1,746,967

^(*) Advances given related to the Bizimevler-7 Construction Project account for TL 109,174,245 of the advances given account balance in the current period (prior period: TL 265,225,349), the Marmara Evleri-4 Construction Project account for TL 45,843,911 of the advances given account balance in the current period, the Bizimevler Güzelce Construction Project account for TL 70,248,675 of the advances given account balance in the current period.

	December 31, 2018	December 31, 2017
Advances received ^(**)	449,217,537	1,051,817,956
Accrued income	1,513,898	1,770,515
Deferred Income (Short-Term)	450,731,435	1,053,588,471

Advances received ^(**)	289,360,840	112,327,795
Accrued income	35,242,350	-
Deferred Income (Long-Term)	324,603,190	112,327,795

^(**) Advances received related to the Kristalşehir Project account for TL 294,559,804 of the advances received account balance in the current period (prior period: TL 638,164,315), the Bizimevler 6 and Metro Projects account for TL 28,473,934 of the advances received account balance in the current period (prior period: TL 96,166,801), the Bizimevler 7 Project account for TL 102,254,350 of the advances received account balance in the current period (prior period: TL 299,496,428), the Bizimevler Güzelce Project account for TL 156,154,573 of the advances received account balance in the current period (prior period: TL 78,757,171), the Marmara 4 Project account for TL 128,726,721 of the advances received account balance in the current period (prior period: TL 14,578,772), (prior period: TL 14,578,772 related to Armutlu Holiday Village Ordinary Partnership Project).

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 25 – Current Tax Assets

	December 31, 2018	December 31, 2017
Prepaid taxes	378,432	452,524
Current Tax Assets	378,432	452,524

Note 26 – Other Assets and Liabilities

	December 31, 2018	December 31, 2017
VAT transferred and other VAT	63,793,088	52,491,003
Other Current Assets	63,793,088	52,491,003

	December 31, 2018	December 31, 2017
Taxes and funds payable	7,500,041	8,242,196
Past due, deferred, on-installment tax obligations	37,969,116	33,065,412
Others	-	382,943
Other Current Liabilities	45,469,157	41,690,551

	December 31, 2018	December 31, 2017
Past due, deferred, on-installment tax obligations	14,053,819	21,936,089
Other Non-Current Liabilities	14,053,819	21,936,089

Note 27 – Paid-in Capital, Reserves and Other Equity Items

A. Paid-in Capital

As of December 31, 2018, the Group's registered and issued capital comprises 79,040,000,000 (31.12.2017: 79,040,000,000) shares, each with a nominal value of TL 0.01.

The Group's registered authorized capital is TL 2,000,000,000.

The Group's registered and issued capital, and capital structure as of December 31, 2018 and December 31, 2017:

Shareholder Name/Title	December 31, 2018		December 31, 2017	
	Share Ratio	Share Amount	Share Ratio	Share Amount
Publicly traded	86.37%	682,674,283	86.37%	682,674,283
Ahmet Mücahid Ören	10.58%	83,563,047	10.58%	83,563,047
Others	3.05%	24,162,670	3.05%	24,162,670
Total Capital	100,00%	790,400,000	100,00%	790,400,000

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

Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss consists of Increases/Decreases on Revaluation of Property, Plant and Equipment, Gains/Losses on Remeasurements of Defined Benefit Plans, Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss accounts.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

i. Increases/Decreases on Revaluation of Property, Plant, and Equipment

Revaluation fund of Property, Plant, and Equipment consists of the Group's PP&E. Real estates recognised as property, plant and equipment in prior periods, can be transferred to investment property due to changes in use. The Group has reclassified some of its properties as investment property and has chosen to account such investment properties at fair value. After its deferred tax effect, revaluation of PP&E amount is reported on its net amount. Increases/Decreases on Revaluation of Property, Plant, and Equipment amounting to TL 92,827,143 is accounted under shareholders' equity (December 31, 2017: TL 80,654,433).

ii. Gains/Losses on Remeasurements of Defined Benefit Plans

Severance payment liabilities is calculated by estimating the present value of the future probable obligation and its deferred tax effect arising from the retirement of the employees of the Group recognised all actuarial gains and losses in other comprehensive income. Gains/Losses on Remeasurements of defined benefit plans amounting to TL 6,754,993 is accounted under shareholders' equity (December 31, 2017: TL 4,333,402).

iii. Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss

Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss consists of the Group's effective share in associate. The amount is TL 67,688 (December 31, 2017: TL 6,935)

C. Share Premium

	December 31, 2018	December 31, 2017
Share premium	7,260,265	7,260,265

D. Restricted Reserves

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, 2018	December 31, 2017
Legal reserves	16,449,785	16,351,484
Other restricted reserves ^(*)	4,746,746	5,071,407
Restricted Reserves	21,196,531	21,422,891

^(*) Of this amount, a large portion consists of capital reserves paid by the partners to the Group companies in order to cover the taxes paid pursuant to Law No. 5811 on Integration of Some Assets into the National Economy; the remaining amount consists of capital reserves and TUBITAK R&D incentives paid by the partners to the Group companies so as to prevent capital loss in accordance with the Turkish Commercial Code.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

E. Other Reserves

Other reserves consist of transaction of the Group with its subsidiaries. The amount recognized as a result of transactions with subsidiaries is TL 44,598,745 (December 31, 2017: TL 39,136,386) and is accounted for under equity.

F. Non-Controlling Interests

As of December 31, 2018, non-controlling interest in the consolidated statement of financial position is TL 293,602,815 (December 31, 2017: TL 279,070,209). For the year ended December 31, 2018, non-controlling interest in the consolidated statement of comprehensive income amounted to TL 7,758,997 (previous year: TL 6,425,759).

Note 28 – Revenues

The details of revenues for periods of January 1- December 31, 2018 and 2017 are as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Domestic sales	1,228,993,179	674,442,807
Foreign sales	61,224,725	45,363,574
Other sales	5,454,573	2,943,899
Sales discounts and returns (-)	(22,064,045)	(10,362,340)
Total Revenues	1,273,608,432	712,387,940

Details of the non-group revenue on the basis of important product and service groups are presented in Note 5. Details of revenue related to performance obligation for periods of January 1- December 31, 2018 and 2017 are as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Point in time	1,039,865,224	425,419,287
Over time	233,743,208	286,968,653
Total	1,273,608,432	712,387,940

Contractual obligations include advances received from customers for construction activities. As per these contracts, the Group fulfills its contractual obligations and fulfills the performance obligations with the completion of the work.

As of the balance sheet date, completion information related to ongoing construction projects is presented in Note 41. In these projects, the performance obligations are fulfilled upon over time or point in time as required by each contract.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 29 – Expenses by Nature

	January 1 – December 31, 2018	January 1 – December 31, 2017
Cost of sales	(1,029,319,771)	(560,390,219)
General administrative expenses	(119,263,425)	(100,576,552)
Marketing, selling and distribution expenses	(29,514,584)	(38,409,785)
Research and development expenses	(504,537)	(787,628)
Total	(1,178,602,317)	(700,164,184)

The details of expenses by nature are listed for periods of January 1-December 31, 2018 and 2017 as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Employee benefits ⁽¹⁾	(226,689,593)	(197,670,534)
Raw materials and supplies	(554,398,119)	(282,289,103)
Outsourcing expenses	(179,360,308)	(54,636,969)
Cost of merchandise sold	(30,199,220)	(22,599,291)
Rent expenses	(29,587,466)	(20,323,118)
Advertising, promotion, commission and sponsorship expenses	(25,095,182)	(25,637,900)
Taxes, duties and charges	(21,845,611)	(15,921,091)
Provision expenses for doubtful receivables	(20,433,939)	(11,764,786)
Depreciation and amortization expenses	(11,410,405)	(11,624,183)
Maintenance and insurance expenses	(9,521,441)	(6,384,072)
Travel and accommodation expenses	(6,024,381)	(5,837,016)
Warranty provision expenses	(514,938)	(288,345)
Other	(63,521,714)	(45,187,776)
Total	(1,178,602,317)	(700,164,184)

⁽¹⁾ The personnel expenses consist of TL 165,313,426 (prior period: TL 145,554,875) gross wages and TL 32,647,031 (prior period: 25,458,965 TL) of social security deductions.

The functional allocation of personnel expenses is as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Cost of sales	(178,145,566)	(145,489,518)
General administrative expenses	(42,285,640)	(36,650,125)
Marketing, selling and distribution expenses	(5,842,140)	(6,498,067)
Research and development expenses	(416,247)	(733,864)
Total	(226,689,593)	(189,371,574)

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The details of amortization and depreciation expenses are listed below;

	January 1 – December 31, 2018	January 1 – December 31, 2017
Cost of sales	(6,009,952)	(6,410,834)
General administrative expenses	(5,279,333)	(5,198,914)
Other	(121,120)	(14,435)
Total Amortization and Depreciation Expenses	(11,410,405)	(11,624,183)

Note 30 – Other Operating Income and Expenses

The details of other operating income and expenses are listed for periods of January 1-December 31, 2018 and 2017 as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Foreign exchange gains	40,554,221	13,502,066
Credit finance income arising from trading activities	11,910,073	54,342,410
Rent income	6,645,063	7,409,413
Reversals of provisions		
<i>Reversal of allowance for doubtful receivables</i>	<i>6,398,503</i>	<i>52,576,788</i>
<i>Other reversal of doubtfuls</i>	<i>5,078,545</i>	<i>14,434,064</i>
Other	3,982,104	2,816,044
Other Operating Income	74,568,509	145,080,785

	January 1 – December 31, 2018	January 1 – December 31, 2017
Credit finance charges arising from trading activities	(49,014,116)	(25,212,762)
Foreign exchange losses	(46,416,828)	(19,397,253)
Grants and donations	(3,429,148)	(8,068,403)
Other	(15,553,822)	(8,856,000)
Other Operating Expenses	(114,413,914)	(61,534,418)

Note 31 – Income/Expenses from Investment Activities

The details of income and expenses from investment activities are listed for periods of January 1-December 31, 2018 and 2017 as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Revaluation gains on investment property	34,539,628	14,535,056
Gains on associate share sales	6,110,699	-
Gain on sale of investment property and PP&E	4,352,680	1,710,886
Other	2,275,805	1,456
Income from Investment Activities	47,278,812	16,247,398

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	January 1 – December 31, 2018	January 1 – December 31, 2017
Revaluation losses of investment property	(7,825,102)	(5,305,608)
Impairment on PP&E	(2,830,465)	-
Goodwill impairment provision	(2,717,488)	(4,749,906)
Loss on sale of investment property and PP&E	(477,331)	(6,056,579)
Other	(355,540)	(411,521)
Expenses from Investment Activities	(14,205,926)	(16,523,614)

Note 32 – Financial Expenses

The details of financial expenses are listed for periods of January 1-December 31, 2018 and 2017 as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Interest expense	(70,287,577)	(63,770,958)
Foreign exchange losses	(66,692,129)	(22,517,386)
Financial Expenses	(136,979,706)	(86,288,344)

Note 33 – Financial Income

The details of financial income are listed for periods of January 1- December 31, 2018 and 2017 as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Interest income	5,620,638	10,365,155
Foreign exchange gains	28,672,990	9,047,156
Financial Income	34,293,628	19,412,311

Note 34 – Assets Held for Sale and Discontinued Operations

A. Assets Held for Sale

Current Period: None.

Prior Period: TL 377,990 (Vehicles).

B. Discontinued Operations

Current Period: None.

Prior Period: None.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 35 – Tax Assets and Liabilities

A. Current Period Tax Assets and Liabilities

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%. Addition of profit to the capital shall not be deemed as dividend distribution and thus, no withholding tax shall be levied. Corporations shall pay advance tax at a rate of 22% 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.

Corporate tax exemption applies to the revenues arising from the sale of 50% of the properties, from the sale of 75% of the 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 must not be withdrawn for at least 5 years. The sales revenue must be collected by the end of the second calendar year from the date of completion of the transaction.

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 income tax expenses as of December 31, 2018 and December 31, 2017 are listed below:

	December 31, 2018	December 31, 2017
Current tax provisions	9,292,029	6,108,165
Prepaid taxes (-)	(2,427,599)	(5,708,155)
Total	6,864,430	400,010

Primary income tax expense items in statement of consolidated comprehensive income for periods of January 1-December 31, 2018 and 2017 are listed below:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Current period tax expense	(9,292,029)	(6,108,165)
Deferred tax income/expense	(8,459,347)	13,286,259
Tax Income/Expense	(17,751,376)	7,178,094

Turkish tax legislation does not permit a parent company to file a consolidated tax return. Therefore, tax liabilities, as reflected in consolidated financial statements, have been calculated on a separate-entity basis.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group's income tax expense/income reconciliation for periods of January 1–December 31, 2018 and 2017 is as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Profit/Loss from continuing operations, before tax	(14,850,909)	28,036,577
<i>Calculated income tax income/expense</i>	<i>3,267,200</i>	<i>(5,607,316)</i>
Tax Effect:		
<i>Non-taxable income</i>	<i>5,109,158</i>	<i>26,318,844</i>
<i>The effect of calculated fiscal loss and investment incentives</i>	<i>13,709,899</i>	<i>2,435,712</i>
<i>Non-deductible expenses and the effect of items not taxed</i>	<i>(39,837,633)</i>	<i>(15,969,146)</i>
Total Income Tax Income/Expense	(17,751,376)	7,178,094

B. Deferred Tax Assets and Liabilities

The Group calculates its deferred tax assets and liabilities by taking into account the impact of temporary differences arising as a result of the 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.

The corporate tax rate for 2018 is 22% (December 31, 2017: 22%). In accordance with the "Law on the Amendment of Certain Tax Acts and Some Other Laws" numbered 7061 and published in Official Gazette on December 5, 2017; the corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2017 are calculated with 22% tax rate for the temporary differences that will be realized in 2018, 2019 and 2020; and with 20% tax rate for the temporary differences that will be realized after 2021 and onwards.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

IHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The following is the breakdown of accumulated taxable temporary differences and deferred tax assets and liabilities, prepared by using effective tax rates as of December 31, 2018 and December 31, 2017:

	Taxable temporary differences		Deferred tax assets / (liabilities)		The income statement and OCI	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	January 1, December 31, 2018	January 1, December 31, 2017
Property, plant and equipment and intangible assets (including investment property)	(132,234,946)	(65,344,327)	(26,446,990)	(13,068,866)	(13,378,124)	(2,473,099)
Provisions for liabilities and expenses	56,623,181	48,928,720	11,757,170	10,151,046	1,606,124	773,429
Provision for diminution in value of inventories	8,536,736	11,329,125	1,716,012	2,425,958	(709,946)	(108,861)
Provision for doubtful receivables	61,277,751	49,218,649	12,720,590	10,199,704	2,520,886	(1,960,228)
The effects of discounting adjustments	7,123,763	4,934,380	1,700,642	1,206,775	493,867	(6,117,669)
The effects of prepaid expense adjustments	57,074	663,778	12,557	140,544	(127,987)	(1,673,199)
Unrecognized tax losses	117,106,273	148,506,318	24,519,640	31,024,346	(6,504,706)	25,103,146
Other	15,260	(162,653)	6,778	(34,623)	41,401	(222,190)
Deferred tax assets and liabilities, net	118,505,092	198,073,990	25,986,399	42,044,884	(16,058,485)	13,321,329

Net deferred tax assets/(liabilities) table is listed below:

	December 31, 2018	December 31, 2017
Beginning of the period	42,044,884	28,723,555
Deferred tax income/(expense) recognized in income statement	(8,459,347)	13,286,259
Deferred tax income/(expense) recognized in OCI	(7,599,138)	35,070
End of the period	25,986,399	42,044,884

The Group calculated deferred tax assets of TL 117,106,273 (December 31, 2017: TL 148,506,318) for unrecognized tax losses in its consolidated financial statements, which were prepared in accordance with the TAS 12 "Income Taxes".

Maturities of these tax losses are as follows:

	December 31, 2018	December 31, 2017
2018	-	894,300
2019	24,507,849	8,134,382
2020	23,931,558	66,163,105
2021	19,489,509	45,754,533
2022	31,604,230	27,559,998
2023	17,573,127	-
Total	117,106,273	148,506,318

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Deferred tax assets were recognized to the extent that the Group is likely to generate financial profit to be used for all deductible temporary differences. The Group had tax losses in the amount of TL 28,297,946 (December 31, 2017: TL 241,748,846) that can be appropriated and that were deferred as of December 31, 2018 without calculating tax assets to be reviewed again in the following period. Their maturities are as follows:

	December 31, 2018	December 31, 2017
2018	-	126,165,942
2019	1,324,798	65,409,846
2020	7,668,098	10,912,886
2021	6,255,710	2,419,035
2022	1,254,221	36,841,137
2023	11,795,119	-
Total	28,297,946	241,748,846

Note 36 – Earnings/Losses per Share

The following are the weighted average numbers of the Group's shares as of December 31, 2018 and December 31, 2017, and the calculation of earnings per unit share;

	January 1 – December 31, 2018	January 1 – December 31, 2017
Profit/loss for the period	(32,602,285)	35,214,671
Profit/loss attributable to non-controlling interests	5,988,855	(7,531,249)
Profit/loss attributable to the equity holders of the parent	(38,591,140)	42,745,920
Weighted average number of stocks, each with a nominal value of TL0,01	79,040,000,000	79,040,000,000
Earnings/(losses) per share (Kr)	(0.0412)	0.0446
Earnings/(losses) per share attributable to the equity holders of the parent (Kr)	(0.0488)	0.0541

Diluted earnings per share have not been calculated, since the Group 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). Earnings per share are calculated by dividing the net profit of the current period by the weighted average of the number of shares circulating during the period.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 37 – Related Party Disclosures

A. The following are the current account balances (net book values) arising from the Group's shareholders; or from the main companies with which it had an indirect capital, management and business relationship through its shareholders as of December 31, 2018 and December 31, 2017:

	December 31, 2018			
	Trade Receivables	Trade Payables	Advances Given	Advances Received
İhlas Dış Ticaret A.Ş.	632,291	10,074	-	-
Net İletişim Teknoloji A.Ş.	494,938	144,302	1,406,038	-
İhlas Finans Kurumu A.Ş. in Liquidation	114,326	-	-	-
Detes Enerji Üretim A.Ş.	25,924	186,339	-	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	55,196	8,962,886	-	19,569,515
Antalya İmar Ltd. Şti.	27,240	291,332	-	-
Other	2,013	20,018	6,708	983,574
Total	1,351,928	9,614,951	1,412,746	20,553,089

	December 31, 2018			
	Trade Receivables	Trade Payables	Advances Given	Advances Received
İhlas Dış Ticaret A.Ş.	567,247	12,550	-	-
Net İletişim Teknoloji A.Ş.	232,714	82,057	1,341,735	-
İhlas Finans Kurumu A.Ş. in Liquidation	153,820	-	-	-
Detes Enerji Üretim A.Ş.	18,706	211,503	-	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	24,955	3,458,707	-	10,840,947
Antalya İmar Ltd. Şti.	8,413	364,159	-	-
Other	12,155	300,055	-	195,953
Total	1,018,010	4,429,031	1,341,735	11,036,900

	Other Receivables	
Shareholders and key personnel	December 31, 2018	December 31, 2017
Individuals	26,831	-
Total	26,831	-

	Other Payables	
Shareholders and key personnel	December 31, 2018	December 31, 2017
Osman Çardak	-	250,000
Dursun Şahin	695,000	185,000
Other	434,136	-
Total	1,129,136	435,000

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

B) The following are the sales, purchases, leasing, interest, fixed assets sales arising from the Group's shareholders; or from the main companies with which it had an indirect capital, management and business relationship through its shareholders during the January 1-December 31, 2018 and January 1-December 31, 2017 periods:

January 1 - December 31, 2018		
	Sales	Purchases
Net İletişim Teknoloji A.Ş.	262,575	84,195
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	3,723,193	7,029,336
Antalya İmar Ltd. Şti.	63,200	1,180,000
İhlas Finans Kurumu A.Ş. in Liquidation	76,223	-
IHA GmBH Germany	651,984	147,891
Other	734,663	477,930
Total	5,511,838	8,919,352

January 1 - December 31, 2017		
	Sales	Purchases
Net İletişim Teknoloji A.Ş.	280,194	17,187
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	3,284,088	3,218,210
Antalya İmar Ltd. Şti.	47,902	-
İhlas Finans Kurumu A.Ş. in Liquidation	40,718	-
Other	897,905	909,551
Total	4,550,807	4,144,948

January 1 - December 31, 2018		
	Interest Income	Interest Expense
Net İletişim Teknoloji A.Ş.	308,604	-
İhlas Dış Ticaret A.Ş.	113,076	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	1,126,362	1,469,878
Other	4,451	-
Total	1,552,493	1,469,878

January 1 - December 31, 2017		
	Interest Income	Interest Expense
Net İletişim Teknoloji A.Ş.	117,212	-
İhlas Dış Ticaret A.Ş.	55,728	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	9,784	250,864
Other	4,922	-
Total	187,646	250,864

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	January 1 - December 31, 2018	
	Rent Income	Rent Expenses
Net İletişim Teknoloji A.Ş.	186,558	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	170,645	13,440
Other	106,953	145,550
Total	464,156	158,990

	January 1 - December 31, 2017	
	Rent Income	Rent Expenses
Net İletişim Teknoloji A.Ş.	183,396	17,461
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	16,975	428,400
Other	43,860	82,988
Total	244,231	528,849

	January 1 - December 31, 2018	
	PP&E Disposals	PP&E Acquisitions
Net İletişim Teknoloji A.Ş.	-	222,773
Other	33,899	3,750
Total	33,899	226,523

	January 1 - December 31, 2017	
	PP&E Disposals	PP&E Acquisitions
Net İletişim Teknoloji A.Ş.	-	490,522
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	-	100,000
Other	748	-
Total	748	590,522

Since all of the Group's receivables and payables, rent revenues and expenses, interest revenues and expenses and all other receivables and payables from affiliate companies already recognized in the consolidation were offset within the consolidation, they are not recognized in the consolidated financial statements

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

C) 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, severance benefits comprise 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, 2018 period totaled TL 11,938,695 (January 1-December 31, 2017: TL 10,052,792). Meanwhile, short-term benefits (severance payments) to be provided for key management personnel in case they resign totaled TL 5,233,844 for the period January 1-December 31, 2018 (January 1-December 31, 2017: TL 3,434,273).

There were no long-term benefits provided to the Group's key personnel during the periods January 1-December 31, 2018, and the January 1-December 31, 2017.

The Group provided short-term benefits such as wages, attendance fees, etc. in the amount of TL 39,221 to key personnel who resigned their job or post during the January 1-December 31, 2018 period (January 1-December 31, 2017: TL 889,328).

The Company does not make share-based payments.

Note 38 – Financial Instruments and Financial Risk Management

A) Capital risk management

The Group 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 Group is comprised of liabilities, including the loans stated in Note 8, as well as cash and cash equivalents Note 6; also equity items, including paid-in capital, capital reserves and retained earnings disclosed in Note 27.

Senior management evaluates the Group'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 Group aims to optimize its capital diversification by means of new borrowing, repaying existing debts and/or capital increases. The Group's overall strategy remains unchanged from the previous period.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group keeps track of its capital adequacy by applying the net debts/shareholders' 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 indicated in the consolidated balance sheet).

	December 31, 2018	December 31, 2017
Total financial borrowings	396,636,974	318,339,397
Less: Cash and cash equivalents	(38,017,127)	(18,109,173)
Net debt	358,619,847	300,230,224
Total equity	813,608,556	828,321,534
Net financial debt / equity ratio	44%	36%

B) Significant accounting policies

The Group's significant accounting policies related to financial instruments is described in the "Financial Instruments" section of "Summary of Significant Accounting Policies" in Note 2.

C) Financial risk management objectives

The Group 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 Group's significant financial risks include risks of foreign exchange, interest rate and liquidity.

A "risk assessment report" is prepared regarding the steps of the Group's risk management model. Influence over the Group's activities; strategic management and investment, finance, service (education and health), labor force and information categories were identified and defined. During the determination of the risks, the main risks that may be affecting the managers and the Company and the specific risks for each main risk group have been clarified. The identified main risks and specific risks are reflected in the prepared risk tables. These tables include the types of risks, their level and the action plan. Strategies that will reduce the impact of risks, risks to be determined for risk, risk levels, actions to be taken for risks, action responsibilities, and risks that are determined by strategic management and investment, finance, service (education and health), labor force and information categories are discussed in periodic terms.

D) Market risk

As a result of its operations, the Group is subject to financial risks related to price, as well as changes in exchange and interest rates. The Group 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.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Inventory price change risk (price risk)

The Group is exposed to price risks as its sales prices are affected by 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 Group 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 Group borrows at fixed interest rates. In Note 8, fixed interest rate borrowings, and in Note 6, interest rates time deposits are disclosed. Since the Group does not have significant borrowing over floating interest rates, sensitivity to interest rates is not significant. The interest rate risk table is listed below:

	December 31, 2018	December 31, 2017
Fixed rate vehicles		
Financial assets		
- Term deposit	25,877,954	2,227,343
Financial liabilities	396,636,974	318,339,397
Floating rate vehicles	-	-

Currency Risk Management:

As of December 31, 2018 and December 31, 2017, the net currency position of the assets and liabilities of the Group is as follows:

	December 31, 2018	December 31, 2017
A. Foreign currency assets	3,654,204	6,676,978
B. Foreign currency liabilities	207,134,389	155,312,434
Net currency position (A - B)	(203,480,185)	(148,635,456)

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

IHLAS HOLDİNG A.Ş.**Notes to the Consolidated Financial Statements
for the year ended December 31, 2018**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

CURRENCY POSITION TABLE

	December 31, 2018					
	TL Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	1,783,494	79,012	226,911	-	-	-
2a. Monetary financial assets (including cash and cash equivalents)	746,470	133,968	6,914	-	-	-
2b. Non-monetary financial assets	327,928	62,333	-	-	-	-
3. Other	671,297	112,237	13,250	-	144	-
4. Current Assets (1+2+3)	3,529,189	387,550	247,075	-	144	-
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	125,015	23,763	-	-	-	-
8. Non-Current Assets (5+6+7)	125,015	23,763	-	-	-	-
9. Total Assets (4+8)	3,654,204	411,313	247,075	-	144	-
10. Trade Payables	59,375,635	2,302,211	7,840,732	-	-	-
11. Financial Liabilities	78,696,211	1,615,902	11,644,843	-	-	-
12a. Other monetary financial liabilities	-	-	-	-	-	-
12b. Non-monetary financial liabilities	2,114,410	313,017	77,581	-	-	-
13. Current Liabilities (10+11+12)	140,186,256	4,231,130	19,563,156	-	-	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	66,948,133	11,326,289	1,221,244	-	-	-
16a. Other monetary financial liabilities	-	-	-	-	-	-
16b. Non-monetary financial liabilities	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	66,948,133	11,326,289	1,221,244	-	-	-
18. Total Liabilities (13+17)	207,134,389	15,557,419	20,784,400	-	-	-
19. Off-balance sheet derivative instruments net position (19a-19b)	-	-	-	-	-	-
19a. Derivative assets	-	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-	-
20. Net foreign currency position (9-18+19)	(203,480,185)	(15,146,106)	(20,537,325)	-	144	-
21. Net foreign currency position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(202,490,015)	(15,031,422)	(20,472,994)	-	-	-
22. Fair value of derivative instruments held for hedging	-	-	-	-	-	-
23. Foreign currency assets held for hedging	-	-	-	-	-	-
24. Foreign currency liabilities held for hedging	-	-	-	-	-	-
25. Exports	72,941,834	7,113,199	4,327,599	-	-	1,632,318
26. Imports	66,469,342	6,847,065	5,952,402	-	-	258,228

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

CURRENCY POSITION TABLE

	December 31, 2017					
	TL Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	4,736,133	987,570	203,987	23,351	-	-
2a. Monetary financial assets (including cash and cash equivalents)	339,437	54,113	29,955	-	13	-
2b. Non-monetary financial assets	863,079	152,414	63,822	-	-	-
3. Other	644,171	120,763	39,725	-	1,828	-
4. Current Assets (1+2+3)	6,582,820	1,314,860	337,489	23,351	1,841	-
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	94,158	24,963	-	-	-	-
8. Non - Current Assets (5+6+7)	94,158	24,963	-	-	-	-
9. Total Assets (4+8)	6,676,978	1,339,823	337,489	23,351	1,841	-
10. Trade Payables	50,861,999	3,659,285	8,187,431	22,620	394	-
11. Financial Liabilities	67,001,483	2,714,637	12,570,512	-	-	-
12a. Other monetary financial liabilities	-	-	-	-	-	-
12b. Non-monetary financial liabilities	855,760	103,894	102,731	-	-	-
13. Current Liabilities (10+11+12)	118,719,242	6,477,816	20,860,674	22,620	394	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	36,593,192	9,607,314	78,699	-	-	-
16a. Other monetary financial liabilities	-	-	-	-	-	-
16b. Non-monetary financial liabilities	-	-	-	-	-	-
17. Long - Term Liabilities (14+15+16)	36,593,192	9,607,314	78,699	-	-	-
18. Total Liabilities (13+17)	155,312,434	16,085,130	20,939,373	22,620	394	-
19. Off - balance sheet derivative instruments net position (19a - 19b)	-	-	-	-	-	-
19a. Derivative assets	-	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-	-
20. Net foreign currency position (9 - 18+19)	(148,635,456)	(14,745,307)	(20,601,884)	731	1,447	-
21. Net foreign currency position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(149,381,104)	(14,939,553)	(20,602,700)	731	(381)	-
22. Fair value of derivative instruments held for hedging	-	-	-	-	-	-
23. Amount of hedged portion of Foreign exchange assets	-	-	-	-	-	-
24. Amount of hedged portion of Foreign exchange liabilities	-	-	-	-	-	-
25. Exports	50,172,148	14,462,957	14,687,952	370,842	-	-
26. Imports	48,087,810	12,846,432	13,010,706	59,186	-	-

As of December 31, 2018, and December 31, 2017, the Group'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.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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, 2018 and December 31, 2017; 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;

TL 20,348,018 lower/higher as of December 31, 2018.

TL 14,863,546 lower/higher as of December 31, 2017.

Foreign currency sensitivity statement related to the Group is as follows:

Foreign currency sensitivity statement				
	December 31, 2018		December 31, 2017	
	Profit/(Loss)		Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
When USD gain/loss 10% value over:				
1- U.S. Dollar net asset/(liability) due to the resulting revenue/(expense)	(7,968,215)	7,968,215	(5,561,783)	5,561,783
2- Part of hedged from U.S. Dollar risk (-)	-	-	-	-
3- USD net effect (1+2)	(7,968,215)	7,968,215	(5,561,783)	5,561,783
When EUR gain/loss 10% value over:				
4- Euro net asset/(liability) due to the resulting revenue/(expense)	(12,379,900)	12,379,900	(9,302,781)	9,302,781
5- Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(12,379,900)	12,379,900	(9,302,781)	9,302,781
When Other foreign currency gain/loss 10% value over:				
7- Other foreign currency net asset/(liability) due to the resulting revenue/(expense)	97	(97)	1,018	(1,018)
8- Part of hedged from other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	97	(97)	1,018	(1,018)
Total (3+6+9)	(20,348,018)	20,348,018	(14,863,546)	14,863,546

E) Credit and collection risk management

The Group's credit and collection risk is essentially related to its trade receivables. The amount recognized in the consolidated balance sheet is the net value calculated after deducting the doubtful receivables estimated by the Group management based on its previous experiences and current economic circumstances. The Group's credit risk is distributed as it works with a number of customers.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Credit risk exposure based on type of financial instruments:

December 31, 2018	Receivables						Other Current Assets
	Trade Receivables		Other Receivables			Bank Deposits	
	Related Party	Third Party	Related Party	Third Party			
The maximum exposure to credit risk at the reporting date	1,351,928	930,182,346	26,831	11,202,705	31,112,645	6,904,482	
The part of maximum risk under guarantee with collateral etc.	-	103,501,744	-	-	-	-	
Financial assets that are neither past due nor impaired the carrying value of the net	1,351,928	845,119,881	26,831	11,202,705	31,112,645	6,904,482	
Net book value of assets past due but not impaired	-	6,294,511	-	-	-	-	
Net book value of impaired assets	-	78,767,954	-	-	-	-	
- Gross carrying amount	114,759	376,907,416	-	11,526,652	-	-	
- Impairment (-)	(114,759)	(298,139,462)	-	11,526,652	-	-	
- Net value collateralized or guaranteed part	-	-	-	-	-	-	
Off-balance sheet items with credit risk	-	-	-	-	-	-	

December 31, 2017	Receivables						Other Current Assets
	Trade Receivables		Other Receivables			Bank Deposits	
	Related Party	Third Party	Related Party	Third Party			
The maximum exposure to credit risk at the reporting date	1,018,010	934,330,065	-	3,987,225	14,671,871	3,437,302	
The part of maximum risk under guarantee with collateral etc.	-	75,392,077	-	-	-	-	
Financial assets that are neither past due nor impaired the carrying value of the net	1,018,010	922,966,805	-	3,987,225	14,671,871	3,437,302	
Net book value of assets past due but not impaired	-	1,760,461	-	-	-	-	
Net book value of impaired assets	-	9,602,799	-	-	-	-	
- Gross carrying amount	66,041	303,302,103	-	8,695,678	-	-	
- Impairment (-)	(66,041)	(293,699,304)	-	(8,695,678)	-	-	
- Net value collateralized or guaranteed part	-	-	-	-	-	-	
Off-balance sheet items with credit risk	-	-	-	-	-	-	

In determining the amount, guarantee received and factors that increase in credit reliability are not considered.

Past due or not impaired financial assets is not expected to be impaired and credit risk is not projected.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group has considered the expected 12-month credit loss provision for not significantly increasing their credit risk to estimate the expected credit loss provision. Also, The Group calculated the expected credit loss provision for significant credit risk during the maturity period. In order to measure expected credit losses, the Group has calculated expected credit loss provision using past due date credit loss experiences and forward-looking macroeconomic indicators. Due to the weakening of the collection ability of the receivables under enforcement proceeding and litigation, these receivables are impaired.

The aging analysis for receivables is as follows:

	December 31, 2018	December 31, 2017
Not past due	1,019,434,424	1,032,583,310
Past due 1-30 days	1,831,142	2,770,380
Past due 1-3 months	3,874,244	1,988,271
Past due 3-12 months	19,475,840	18,970,555
Past due 1-5 years	167,106,697	149,635,383
Past due longer than 5 years	40,822,336	35,848,424
Less: Impairment	(309,780,873)	(302,461,023)
Total	942,763,810	939,335,300

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

Past due and but not impaired financial assets is as follows:

	December 31, 2018	December 31, 2017
Past due 1-30 days	620,632	756,181
Past due 1-3 months	546,456	32,600
Past due 3-12 months	336,226	456,739
Past due 1-5 years	4,791,197	514,941
Total	6,294,511	1,760,461
Secured with guarantees	4,558,150	-

The Group's cash and cash equivalents consist of financial instruments that are not past due and not impaired. The amount of deposits presented in Note 6 are held in Turkish financial institutions.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

F) Liquidity Risk Management

The ability to fund the Company's existing and prospective debt requirements is managed by maintaining the availability of adequate funding lines, primarily from banks.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2018 and December 31, 2017 based on contractual undiscounted payments (including interest payments not due yet).

December 31, 2018					
Maturities per contract	Book value	Total cash outflows per contract	Less than 3 months	3 - 12 months	1 - 5 years
Non-derivative financial liabilities	771,103,114	950,550,099	124,110,013	446,754,674	379,685,412
Bank loans	392,228,727	513,385,908	38,428,842	127,459,430	347,497,636
Finance lease	4,408,247	6,028,253	263,933	1,353,857	4,410,463
Trade payables	281,276,024	336,830,017	42,585,102	284,098,601	10,146,314
Other payables and liabilities	93,190,116	94,305,921	42,832,136	33,842,786	17,630,999
December 31, 2017					
Maturities per contract	Book value	Total cash outflows per contract	Less than 3 months	3 - 12 months	1 - 5 years
Non-derivative financial liabilities	621,754,854	690,171,505	137,904,417	281,513,545	270,753,543
Bank loans	309,869,296	320,946,529	61,726,323	48,457,914	210,762,292
Finance lease	8,470,101	9,333,530	935,580	4,911,781	3,486,169
Trade payables	218,700,447	271,269,199	38,265,529	208,303,841	24,699,829
Other payables and liabilities	84,715,010	88,622,247	36,976,985	19,840,009	31,805,253

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 39 – Financial Instruments (Disclosures about Fair Value and Hedging Accounting)

According to TFRS 9 "Financial Instruments", financial assets are classified into three groups and financial liabilities are classified into two groups. Financial assets are measured at fair value through income statement, amortized cost, and fair value through OCI. Financial liabilities are measured at fair value through income statement, and amortized cost.

The following are the values and classification of financial assets and liabilities as of December 31, 2018 and December 31, 2017:

December 31, 2018	Measured at amortized cost	Measured at fair value through OCI
Financial Assets		
Cash and cash equivalents	38,017,127	-
Financial investments	-	914,306
Trade receivables	931,534,274	-
Other receivables	11,229,536	-
Financial Liabilities		
Financial Borrowings	396,636,974	-
Trade payables	281,276,024	-
Other payables	10,433,218	-
December 31, 2017		
Financial Assets		
Cash and cash equivalents	18,109,173	-
Financial investments	-	914,306
Trade receivables	935,348,075	-
Other receivables	3,987,225	-
Financial Liabilities		
Financial Borrowings	318,339,397	-
Trade payables	218,700,447	-
Other payables	5,338,203	-

Fair value measurements of financial assets and liabilities are explained at the relevant accounting policies section, and there is no events that require additional valuation process. Book value of cash and cash equivalents is considered to be close to fair value.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group recognizes the fair value of financial instruments carried at fair value in the consolidated financial statements according to the source of each class of financial instruments classified using a three level hierarchy.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: inputs not based on observable market data. In this level, other techniques, such as discounted cash flow analysis, are used to estimate the fair value measurements of financial instruments.

Note 40 – Subsequent Events

Participation of Associate's Capital Increase

The Company's associate, İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş., increased its capital with rights issue of 140% of its capital. The Company used its pre-emptive right and paid in full the rights issue according to Material Event Disclosure on February 28, 2019.

Note 41 – Other Items to Clarify and Explain the Financial Statements and Matters that Significantly Affect the Financial Statements

a) Explanations Regarding Ongoing Construction Projects

The Group has developed a construction project (KRİSTALŞEHİR) with İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş., the Group company, on a 142,796.98 m² area in Esenyurt, Istanbul. The project consists of 18 blocks and social facilities, as well as 4,655 residences and 82 office spaces. An area of 638,454.48 m² will be constructed in total, which includes the communal areas.

The Group undertook the project on a 36,675.89 m² portion of the site, on an apartment-for-land basis. Of the project, 28,75%, in other words, 322 residences and 6 office spaces, shall be handed over by the Group to the Esenyurt Municipality in return for land. The Group gets 798 apartments from this section. The construction of these apartments have been completed.

İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş., the Group company, will build on an apartment-for-land basis on the remaining 106,121.09 m² part of the project. Of the project built by İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş., 1,123 residences and 23 office spaces will be given to the land owners on a apartment-for-land basis. İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş. will get 2,412 apartments and 53 business spaces from this part of the project. As of December 31, 2018, nearly 99% of the project that the company is building has been completed.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Out of the Group's total apartments, 2,993 units and 51 business units have been sold against advance payment. Invoicing for these units will be performed during delivery and upon completion of the projects.

İhlas Yapı Turizm ve Sağlık A.Ş., the Group company, has developed the "BİZİMEVLER - 7" project in the İspartakule district, Avcılar, İstanbul. The Group has entered into an agreement with the land owner based on 41% revenue sharing model. İhlas Yapı Turizm ve Sağlık A.Ş. has transferred this project to another company to develop the project based on revenue sharing model, with 45% of the revenues going to the Group. A total of 532 units and 48 business units were built in the project as of December 31, 2017. As of December 31, 2018, 72.5% of the total apartments, or 499 units and 37 business units, have been sold with advance payment.

At the meeting of the Board of Directors of the Group, it was resolved to build 450 apart units, one cure center and one administration building on a 62,775 m² area registered as an asset for the Group on block 548 parcel 2 in Armutlu district of Yalova. The Group has entered into an agreement with Armutlu Holiday Village Ordinary Partnership to have a project developed based on the "revenue sharing" model. Accordingly, 25% of the revenues from the 450 apart-units go to the Group and the remaining 75% to the contractor as construction building fee.

Also, the Group gets the administration building and the cure center building at the construction, which is slated for complete in 24 months. Under this agreement, the construction project was completed on November 19, 2018 and the Building Use Permit was obtained. As of December 31, 2018, the project's 450 apart-units, which were sold in advance and invoiced, were completed.

İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Ordinary Partnership, the Group company, have signed a revenue sharing and apartment-for-land construction agreement with the land owners to develop a project on a 92,293 m² land registered on block 498, parcel 1 in the Güzelce neighborhood of Büyükçekmece district in İstanbul. Construction activities have been started by taking necessary permissions from legal institutions. As of December 31, 2018, approximately 38% of the project that the company is building has been completed and 27% of the total units, or 204 apartments, and 19 commercial units, have been sold with advance payment. In this project, 709 apartments and 111 commercial units will be built and the project is planned to be completed in 2020.

Pursuant to Law No. 6306, İhlas Yapı Turizm ve Sağlık A.Ş. (İhlas Yapı), a Group company, commenced work to develop and build the urban transformation project on a 988,000 m² area, which includes Karayolları and Yenimahalle of the Gaziosmanpaşa district of İstanbul. In this context, İhlas Yapı signed a contract with Gaziosmanpaşa İnşaat Yatırım Taahhüt Hizmetleri Sanayi ve Ticaret A.Ş., a subsidiary of Gaziosmanpaşa Municipality, and paid the USD 3,000,000 needed to enter the agreement into force. The relevant municipality and municipal company will make the necessary agreements with rights holders, and hand over the empty area over to İhlas Yapı. As a result of the studies to be developed for this project, the Group will leave a maximum of 40% of the construction to the right holders and the municipal company. The construction of the remaining 60% will be evaluated by İhlas Yapı. Taking the size of the specified area into account, İhlas Yapı will carry out the project in phases that it will determine.

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)

İHLAS HOLDİNG A.Ş.

Notes to the Consolidated Financial Statements for the year ended December 31, 2018

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

In order to construct residential and business properties with the land owners, Kiler Gayrimenkul Yatırım Ortaklığı A.Ş., of 31,309-square meter land registered on block 482, parcel 3 and 30,396-square meter land registered on block 484, parcel 12; İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. of 1,432-square meter land registered on block 484, parcel 11 in Yakuplu neighborhood of Beylikdüzü district in Istanbul, the Group company, İhlas Marmara Evleri Ordinary Partnership, signed "revenue sharing in return for land" agreement for construction, sales and marketing. The project is planned to be completed in the southern (block 482, parcel 8) and the northern (block 484, parcel 17) stages, which started in 2017, and the southern stage will be completed in 36 months and the northern stage in 40 months. Within the scope of the project, 1,321 flats and 64 commercial units will be built. As of December 31, 2018, approximately 29% of the northern stage project that the company is building has been completed and 25% of the total units, or 166 apartments, and 7 commercial units, have been sold with advance payment. The northern stage project consists of 640 apartments, and 44 commercial units.

b) For periods of January 1-December 31, 2018 and January 1-December 31, 2017, the creditors of İhlas Finans Kurumu A.Ş. in Liquidation, the Group company, received transfer of deeds with sales of goods, sales of services, cash payments etc.

	Total Transfer of Deeds	
	January 1 - December 31, 2018	January 1 - December 31, 2017
İhlas Pazarlama A.Ş.	685,298	484,531
İhlas İnşaat Proje Taahhüt Turizm ve Tic. A.Ş.	37,708	203,255
İhlas Gazetecilik A.Ş.	2,444	21,120
Total	725,450	708,906

c) Approval of consolidated financial statements

The consolidated financial statements as of December 31, 2018 have been approved by the Board of Directors and are endorsed to be issued on March 11, 2019. The General Assembly has the right to change the consolidated financial statements.

CONTACT INFORMATION

İHLAS HOLDİNG A.Ş.

Merkez Mahallesi 29 Ekim Caddesi
İhlas Plaza No: 11 B/21 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: (0 212) 454 20 00
Fax: (0 212) 454 21 36
www.ihlas.com.tr
iletisim@ihlas.com.tr
facebook.com/Ihlaholdingcorp
tr.linkedin.com/in/ihlasholding

İHLAS YAPI TURİZM VE SAĞLIK A.Ş.

Merkez Mahallesi 29 Ekim Caddesi İhlas Plaza
No: 11 A/Z1 34197 Yenibosna/Bahçelievler/
İstanbul
Tel.: (0 212) 454 45 00
Fax: (0 212) 454 45 60
www.ihlasyapi.com.tr
yapi@ihlasyapi.com.tr

İHLAS GAYRİMENKUL PROJE GELİŞTİRME VE TİCARET A.Ş.

Merkez Mahallesi 29 Ekim Caddesi
İhlas Plaza No: 11 A/11 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: (0 212) 454 27 60
Fax: (0 212) 454 27 61
info@ihlasgayrimenkul.com
www.ihlasgayrimenkul.com

İHLAS İNŞAAT PROJE TAAHHÜT TURİZM TİC. A.Ş.

Merkez Mahallesi 29 Ekim Caddesi İhlas Plaza
No: 11 Z1 34197 Yenibosna /Bahçelievler/
İstanbul
Tel.: (0 212) 852 68 00
Fax: (0 212) 852 68 88
www.ihlasinsaat.com.tr
info@kristalsehir.com

ARMUTLU TATİL VE TURİZM İŞLETMELERİ A.Ş.

Karşıyaka Mahallesi Zafer Caddesi 205 M Blok
No: 4 Bozburun Mevkii/Armutlu/Yalova
Tel.: (0 226) 531 10 00
Fax: (0 226) 531 10 03
www.ihlasarmutlu.com
bilgi@ihlasarmutlu.com

KUZULUK KAPLICA İNŞAAT TURİZM SAĞLIK VE PETROL ÜRÜNLERİ TİCARET A.Ş.

Kuzuluk Beldesi
Akyazı/Sakarya
Tel.: (0 264) 421 00 20
Fax: (0 264) 421 00 35
www.ihlaskuzuluk.com
info@ihlaskuzuluk.com

İHLAS KUZULUK TERMAL OTEL

Kuzuluk Beldesi
Akyazı/Sakarya
Tel.: (0 264) 421 00 20
Fax: (0 264) 421 01 50
www.ihlaskuzuluk.com
otelinfo@ihlaskuzuluk.com

İHLAS YAYIN HOLDİNG A.Ş.

Merkez Mahallesi 29 Ekim Caddesi
İhlas Plaza No: 11 B/31 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: (0 212) 454 24 22
Fax: (0 212) 454 24 27
www.ihlasyayinholding.com.tr
info@ihlasyayinholding.com.tr

İHLAS GAZETECİLİK A.Ş.

(TÜRKİYE NEWSPAPER)
Merkez Mahallesi 29 Ekim Caddesi
İhlas Plaza No: 11 A/41 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: (0 212) 454 30 00
Fax: (0 212) 454 34 55
www.turkiyegazetesi.com.tr
www.ihlasgazetecilik.com.tr
turkiye.gazetesi@tg.com.tr
facebook.com/turkiyegazetesi
twitter.com/turkiyegazetesi

İHLAS HABER AJANSI A.Ş. (İHA)

Merkez Mahallesi 29 Ekim Caddesi
İhlas Plaza No: 11 A/21 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: (0 212) 454 33 33
Fax: (0 212) 454 33 17
www.iha.com.tr
info@iha.com.tr
facebook.com/ihacomtr
twitter.com/ihacomtr

TGRT HABER TV A.Ş.

Merkez Mahallesi 29 Ekim Caddesi
İhlas Plaza No: 11 A/51 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: (0 212) 454 70 70
Fax: (0 212) 454 56 56
www.tgrthaber.com.tr
tgrthaber@tgrthaber.com.tr
facebook.com/tgrthabertv
twitter.com/tgrthabertv

TGRT FM (TGRT FM RADIÖ)

Merkez Mahallesi 29 Ekim Caddesi
İhlas Plaza No: 11 A/51 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: (0 212) 454 56 15
Fax: (0 212) 454 56 26
www.tgrt-fm.com.tr
bilgi@tgrt-fm.com.tr
facebook.com/tgrtfm
twitter.com/tgrtfm931

TGRT DİJİTAL TV HİZMETLERİ A.Ş. (TGRT DOCUMENTARY TV)

Merkez Mahallesi 29 Ekim Caddesi
İhlas Plaza No: 11 B/51 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: (0 212) 454 55 92
Fax: (0 212) 454 71 24
www.tgrtbelgesel.com
izleyicitemsilcisi@tgrtbelgesel.com
facebook.com/tgrtbelgeseltv
twitter.com/tgrtbelgeseltv

DİJİTAL VARLIKLAR GÖRSEL MEDYA VE İNTERNET HİZM. LTD. ŞTİ. (DIGITAL ASSETS)

Merkez Mahallesi 29 Ekim Caddesi
İhlas Plaza No: 11 A/11 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: (0212) 454 27 28
Fax: (0212) 454 27 73
www.dijitalvarliklar.com.tr
dijitalvarliklar@ihlas.com.tr

İHLAS PAZARLAMA A.Ş.

Merkez Mahallesi 29 Ekim Caddesi
İhlas Plaza No: 11 B/11 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: (0 212) 454 62 00
Fax: (0 212) 454 62 92
www.ihlaspazarlama.com.tr
musteri@ihlaspazarlama.com.tr

İHLAS EV ALETLERİ İMALAT SANAYİ TİC. A.Ş.

Beylikdüzü Organize Sanayi Bölgesi
Mermerciler Sitesi 7. Cadde No: 12
Beylikdüzü/İstanbul
Tel.: (0 212) 875 35 62
Fax: (0 212) 875 39 87
www.iea.com.tr
bilgi@iea.com.tr

İHLAS MADENCİLİK ENERJİ VE TİCARET A.Ş.

Merkez Mahallesi 29 Ekim Caddesi
İhlas Plaza No: 11 A/11 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: (0 212) 454 27 60
Fax: (0 212) 454 27 61
www.ihlasmadencilik.com
info@ihlasmadencilik.com

TÜRKİYE NEWSPAPER HOSPITAL

Darülaceze Caddesi No: 14/1 34381
Şişli/İstanbul
Tel.: (0 212) 314 14 14
Fax: (0 212) 314 14 15
www.turkiyehastanesi.com
info@turkiyehastanesi.com

İHLAS EĞİTİM KURUMLARI**BAHÇELİEVLER CAMPUS**

Fatih Caddesi No: 1 34197
Yenibosna/Bahçelievler/İstanbul
Tel.: 444 44 39
www.ihlaskoleji.k12.tr
bahcelievler@ihlaskoleji.k12.tr

BEYLİKDÜZÜ CAMPUS

İhlas Marmara Evleri 1. Kısım Sitesi
Yakuplu/Beylikdüzü/İstanbul
Tel.: 444 44 39
www.ihlaskoleji.k12.tr
info@ihlaskoleji.k12.tr

