

ROYAL

HALI

Royal Halı İplik Tekstil Mobilya Sanayi ve Ticaret A.Ş.
Annual (Operating) Report prepared for the Period 01.01.2013- 30.12.2013
As per Serial XI NO: 29

CORPORATE INFORMATION

Trade Title	: Royal Halı İplik Tekstil Mobilya Sanayi ve Ticaret A.Ş.
Headquarters	: 4.Organize Sanayi Bölgesi 83402 No'lu Cadde No: 3 Şehitkamil/GAZİANTEP
Trade Register	: Gaziantep
Trade Registry Number	: 22102
Telephone ve Fax Numbers	: Tel: 0342 211 26 26 Faks: 0342 211 26 48
Internet Address	: www.royalhali.com
Paid in capital	: 60.000.000 TL (31 December 2013)
Stock Exchange	: Borsa Istanbul
Share Code	: ROYAL
Stock Index	: BIST 100

INFORMATION ABOUT THE COMPANY

Royal Hali İplik Tekstil Mobilya Sanayi ve Ticaret A.Ş. (“Royal Hali” or the Company”) is one of the leading carpet and yarn producers in Turkey. The operations of the Company are under two parts: carpet and yarn. Company headquarters and production plants are located in Gaziantep.

The Company currently produce 3 different brand of carpets: “Royal Hali”, “Pierre Cardin” and “Atlas Hali”.

Production and sales of Royal Hali and Pierre Cardin are conducted by Royal Hali. Production of Atlas Hali is conducted by Royal Hali but sold through Atlas Hali A.Ş. an affiliate of Royal Hali.

Atlas Hali brand as one of the oldest brands in Turkey was purchased by Royal Hali on 31 December 2010. Atlas Hali A.Ş. company was established on September 2011 as an affiliate of Naksan Holding. Royal Hali purchased 51% of the shares of Naksan Holding in Atlas Hali A.Ş. and became the majority shareholder on 29 January 2013. From the last quarter of 2011, Royal Hali started production under Atlas Hali brand name.

Carpet sales by Atlas Hali are conducted by dealers and the company has 18 regional dealers. Significant part of domestic carpet sales is conducted by such dealers.

Atlas Hali conducts its carpet sales through sub-dealers. Apart from Royal Hali, no main dealership exists, sales are conducted directly through sub-dealers. The sub-dealers sell products to final consumer directly as the main dealers would supply products to the sub-dealers.

The Company conducts yarn sales to the customers directly. No dealer system exists in yarn sales, and significant part of the sales is made to the firms abroad.

Carpet plant:

The carpet plant of the Company is located on an area of 84,639 m² consisting of closed area of 49,504 m² and open area of 35,135 m² in Gaziantep 4th Organized Industry Zone. There is warehouse area of 20,000 m² with finished product warehouse for 10,000 m² and yarn warehouse for 10,000 m².

Yarn plant:

The carpet plant of the Company is located on an area of 21,450 m² consisting of closed area of 13,500 m² and open area of 7,950 m² in Gaziantep 1st Organized Industry Zone. The factory operation area is 10,500 m², and the warehouse area for raw material is 4,900 m².

The number of personnel of the Company as of 31 December 2013 is 697. The Articles of Association of the Company is at the corporate internet website.

PARTNERSHIP STRUCTURE

The partnership structure of Royal Halı A.Ş as of 31 December 2013 is as following;

<u>Name/ Title of the Partner</u>	<u>Share in Capital(TL)</u>	<u>Share in Capital(%)</u>
Naksan Holding A.Ş.	27.750.000	46,25
Osman Nakıbođlu	5.400000	9,00
Cahit Nakıbođlu	3.750.000	6,25
Bahaeddin Nakıbođlu	1.800.000	3,00
Cihan Dađcı	1.250.000	2,08
Emre Nakıbođlu	1.200.000	2,00
Ferhan Nakıbođlu	750.000	1,25
Mehmet Hilmi Nakıbođlu	600.000	1,00
Taner Nakıbođlu	250.000	0,42
Free float	17.250.000	28,75
TOTAL	60.000.000	100

Public Offering:

With the resolution number 23 of the Board of Directors of the Company dd. 03.04.2013, the capital of the Company was increased from 50,000,000 TL to 60,000,000 TL, and the company shares were started to be traded in Borsa Istanbul on May 3, 2013.

Information on Group Companies:

The summary information as to the affiliate of the Company is provided below:

<u>Trade title of affiliate</u>	<u>Paid in capital (TL)</u>	<u>Share Value of Royal Halı in Capital (TL)</u>	<u>Share Ratio in Capital (%)</u>
Atlas Halı Aksesuar ve Mobilya San. Tic. A.Ş.	5.000.000	2.550.000	51%

INFORMATION ON BOARDS AND COMMITTEES

Board of Directors:

<u>Name Surname</u>	<u>Position</u>
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Taner Nakıbođlu	Chairman of the Board
Osman Nakıbođlu	Vice Chairman
Cahit Nakıbođlu	Board Member
Cihan Dađcı	Board Member
Çetin Dođan	Independent Board Member
Adnan Kısa	Independent Board Member

Executive Board:

Name Surname	Position	Title in the Board of Directors
Taner Nakıbođlu	CEO	Royal Halı Chairman of the Board
Cihan Dađcı	Executive Vice President	Royal Halı Group President
Cengiz Taşdemir	Executive Board Member	Royal BCF Group President
Ufuk Çolpan	Executive Board Member	Royal Halı Finance Coordinator
Emre Özkaya	Executive Board Member	Royal Halı Group Vice Chairman
Aydođan Yıldır	Executive Board Member	Royal Halı Group Vice Chairman

Supervisory Committee:

Name Surname	Position	Title in the Board of Directors
Adnan Kısa	Supervisory Committee President	Independent Board Member - Prof. Dr. Adnan Kısa
Çetin Dođan	Supervisory Committee Member	Independent Board Member - Prof. Dr. Çetin Dođan

Corporate Management Committee:

Name Surname	Position	Title in the Board of Directors
Adnan Kısa	Corporate Governance Committee President	Independent Board Member
Murat Zar	Naksan Holding Managing Director	

Corporate Risk Committee:

Name Surname	Position	Title in the Board of Directors
Adnan Kısa	Supervisory Committee President	Independent Board Member - Prof. Dr. Adnan Kısa
Çetin Dođan	Supervisory Committee Member	Independent Board Member - Prof. Dr. Çetin Dođan

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Corporate Governance Principles Compliance Report:

In corporate governance practices, the Company makes the utmost effort to comply with the Corporate Governance Principles (the Principles) of the Capital Markets Board (CMB). The Company updates its annual report and web site in compliance with the Principles and for the use of its stakeholders, and the stakeholders can access detailed information via the corporate web site or also direct their inquiries to the Investor Relations Coordinator.

During the year 2013, 24 special circumstance announcements were made to the BIST in accordance with the CMB's Communiqué on Public Disclosure of Special Circumstances. No additional information was requested by the Capital Markets Board and the Istanbul Stock Exchange for the announcements made for special circumstances. The Capital Markets Board has not imposed any sanctions on the Company caused by any noncompliance to special circumstance announcements. The special circumstance announcements are regularly sent via e-mail to domestic and foreign investors by the Investor Relations Unit. All of the Company's special announcements were made in a timely fashion. The Company's shares are not listed on a foreign stock exchange.

Reasons for as yet Unapplied Corporate Governance Principles

- The absence of cumulative voting method: A cumulative voting system has not been adopted by our Company as it is not deemed to be a convenient practice.
- The absence in the Articles of Association of the shareholders' right to appoint an independent auditor and lack of additional stipulations concerning minority rights: The Articles of Association feature no stipulation concerning the shareholders' right to appoint an independent auditor at the General Assembly. However, the shareholders' right to information and inspection are protected by Article 437-438 of the Turkish Commercial Code.
- Absence of female members in the Board of Directors: The issue is being evaluated by the Company
- As per the Articles of Association, General Assembly meeting is held at the headquarters of the Company in Gaziantep.

Shareholder Relations Unit:

Investor Relations Coordinator is responsible for managing relations with current and potential shareholders, responding to questions by investors and analysts in the most efficient manner, and

undertaking efforts to increase the Company's value. Within the context of shareholder relations, the Company is committed to carrying out the following activities in accordance with Corporate Governance Principles:

- To fulfill the requirements of Capital Markets Board (CMB) legislation, to make the necessary internal and external disclosures for compliance with the Corporate Governance Principles, to undertake improvements,
- To maintain communications with relevant institutions including the Istanbul Stock Exchange (BIST) and the Central Registry Agency (CRA),
- To organize Special Circumstance Announcements to be made to the public within the framework of current legislation and the Company's Public Disclosure Policy, and to pass these on to the Public Disclosure Platform (PDP), and to monitor all public disclosures within the framework of current legislation and the Company's Public Disclosure Policy,
- To make improvements for compliance to the Corporate Governance Principles,
- To ensure the maintenance of shareholder records in a sound, secure and updated manner,
- To conduct transactions regarding share certificates,
- To provide accurate, complete and regular information to shareholders, as well as to current and potential investors, regarding the Company's activities, financial outlook and strategies,
- To respond to the written and oral information demands of analysts carrying out research on the Company (excluding commercial secrets), to support the Company in the best manner and to ensure that reports prepared for investors are accurate and complete,
- To provide information to investors via organizing and attending meetings and conferences, and cooperating with domestic and foreign firms to organize or attend the same,
- To prepare and update information published on the corporate web site in the section titled Investor Relations, in both Turkish and English,
- To carry out all transactions related to Ordinary and Extraordinary General Assembly meetings, in accordance with current legislation and the Articles of Association of the Company.
- The contact information for the Investor Relations Coordination follows below:

Cuma TEKE (Coordinator) 0 312 4735125- 6037

Sinem ŞENEL (Manager) 0 212 4652620- 1233

Merve KIRLI (Expert) 0 212 4652620- 1250

In 2013 the investors were informed via teleconference, investor conference and internet website. In 2014, analyst information meetings are planned to be organized. In such meetings, the analysts will be informed by the senior management of the Company about the financial situation of the Company, its strategies and operations.

Exercise of Shareholders' Right to Obtain Information:

There is no discrimination among the shareholders with respect to the exercise of the right to obtain information. All necessary information and documents relevant to shareholders' exercise of their rights is presented without discrimination between any shareholders and is available on the corporate web site. Developments that may affect the exercise of the shareholders' rights are sent as an explanation to the Public Disclosure Project (PDP) system; such information is also disclosed on our web page as announcements in both English and Turkish.

The Articles of Association feature no stipulation concerning the shareholders' right to appoint an independent auditor at the General Assembly. However, the shareholders' right to information and inspection are protected by Article 437-438 of the Turkish Commercial Code.

General Assembly Meetings:

The Ordinary General Assembly of the Company for year 2012 was held at the headquarters of the Company in Gaziantep on 30.03.2013 and declared at the Trade Registry Gazette number 8296 on 09.04.2013 after registration on March 28, 2013. Our company offered to the public on April 24-25-26, 2013 was not a public company at the general assembly date.

Voting Rights and Minority Rights:

The Article 6 of the Articles of Incorporation states that each of the shares would have one vote in the General Assembly meetings. There is no provision in the Articles of Incorporation preventing any proxy of a shareholder to vote by proxy. The applicable regulations in the CMB related to voting by proxy are

complied with. Group A Shares have privilege in determination of the members of the Board and utilization of the voting rights as per the articles 8 and 11 of the Articles of Incorporation.

Minority shares are represented in the General Assembly directly or through their proxies. There is no cross-shareholding relationship with the Company's majority shareholders.

There is no provision in the Articles of Association of the Company on the cumulative voting method. No change was made to a provision in the Articles of Association allowing minority shareholders to send a representative to the Board of Directors through the cumulative voting method. Since the implementation of the cumulative voting method is left to the free will of publicly traded joint-stock companies by the relevant communiqué of CMB, the Company did not make use of this method.

Profit Distribution Right:

The Company's profit distribution procedures are set out according to the Articles 15 of the Articles of Association of the Company, the Turkish Commercial Code and Capital Market regulations. With regard to the Company's profits, no privileges are granted by the Articles of Association.

Pursuant to the Board Resolution number 39 dd. 16/04/2013 of the Company, it was resolved that 80% of the profit available for distribution for year 2013 and 50% of the profit available for distribution for years 2014 and 2015 are to be paid out to the shareholders as dividends.

Assignment of the Shares:

Group A shares as registered to the name and Group B shares as bearer shares may be transferred freely as per the applicable legislations.

In assignment of the shares, Turkish Commercial Code, Capital Market Law, Capital Market Regulations, the regulations of the Capital Market laws, rules of the Central Registration System and the other provisions on dematerialization of the shares are applied.

Information Policy:

The Company's "Information Policy" was formulated according to legal regulations, Capital Markets legislation and published communiqués.

The goal of the information policy rests on open and effective communications to ensure the timely and equal sharing of information regarding the Company's past performance and future expectations with

shareholders, investors, capital market specialists and market participants within the framework of basic accounting principles, the Capital Markets Board regulations and relevant legal requirements.

Company Web Site and its Contents:

The Company actively uses its corporate website at www.rayalhali.com.tr to ensure the fastest and most efficient communications with shareholders in line with CMB Corporate Governance Principles. Within the framework of CMB Corporate Governance Principles, information is given via the internet on: trade register information, latest partnerships and management structure, detailed information on privileged shares, trade registers in which changes are published, the Articles of Association in their latest form along with date and number, announcements of special circumstances, annual reports, periodic financial statements and tables, prospectuses, circulars relating to public offerings, the agendas of General Assembly meetings, lists of attendees, forms for vote by proxy, rating reports, analyst reports and frequently asked questions.

The web site's contents and structure have been developed in line with CMB principles both in English and Turkish. The Investor Relations Coordinator is responsible for the preparation of the Investor Relations section, for updating and correcting information and adding new information.

The site is continually updated in order to provide increasingly higher levels of service in line with the Company's goal of continuous improvement.

The issues related to the Corporate Governance Principles are available at the web page of the Company.

Annual (Operating) Report:

The matters stated in the CMB, TTK and Corporate Governance Principles are available in the annual report of the Company .

Provision of Information to Stakeholders:

Material disclosures with regard to the issues relevant to shareholders relating to our Company are made via the web site of the Company and printed or visual media.

Stakeholders' Participation in Management:

The participation of stakeholders in Management by representing the 28.75% publicly held portion of our Company is made possible by Articles 6, 8 and 11 of the Articles of Association.

A Performance Management System has been established to add value to our company. These opinions and suggestions are evaluated by the authorized units and those deemed appropriate are implemented accordingly. In addition, blue-collar employees have the chance to present their suggestions and requests via their trade union.

Human Resources Policy:

The main goal of our Human Resources is to establish the future intellectual capital by continuously improving our human resource with the power from our knowledge and experience.

In this sense, we aim at being a center of attraction for youth, organizing development programs to bring information, accumulation, skill and behaviors to the employees so that they will be more successful in the business environment, insure high performance and provide opportunities to the employees to improve their careers.

Our fundamental principle is to act responsible for environment and society with business discipline respectful to our values using the occupational safety as the basis.

Ethical Rules and Social Responsibility:

In line with the CMB's communiqué on the Corporate Governance Principles, the Company established its ethical rules by the decision of the Board of Directors and announced to the public. Ethical rules shall be available on the Company's web site in detail.

Structure and Composition of the Board of Directors:

The information on the members of the Board of Directors as selected according to the Company's Articles of Association and the General Manager are below. Board members are in no way restricted in assuming positions in other organizations or entities other than the Company.

The administration and management of the Company are executed by the Board of Directors consisting of 6 members to be elected by the General Assembly in line with the Turkish Commercial Code and the Capital Market Law.

Three members of the Board are elected by the General Assembly among the candidates to be appointed by the majority of the Group (A) Shareholders. The number of the independent members and their qualifications are determined as per the regulations of the Capital market Board as to the corporate governance principles.

The quorum for Board meetings is the majority of the Board members (i.e. four members of the Board) and the quorum for resolution is the majority of the present board members in any meeting.

The board members are elected to hold office for maximum three years.

The Board members may be re-elected after the expiry of their office periods. The general Assembly is entitled to replace any Board member if it deems it necessary. In the event of any vacant chair in the Board, the Board shall elect one of the shareholders having the qualifications stated in the Turkish Commercial Code as a board member provisionally and submits him/ her membership to the approval of the shareholders at the first general assembly meeting to be held. Any board member to be elected so will complete the remaining office period of the Board member instead of whom he/she was assigned.

Any legal person being a member of the Board may change any natural person registered as Board member for and on behalf of such legal person.

The Board Meetings may also be conducted in electronic environment pursuant to the article 1527 of the Turkish Commercial Code. The Company may establish an Electronic Meeting System or purchase service from the systems established therefore to allow the right holders to attend these meetings and vote therein in electronic environment pursuant to the “Communiqué about the Meetings of the Commerce Companies to be conducted in electronic environment other than the General Assembly meetings of joint stock companies or may purchase services from the systems established for such purposes. In the meetings to be held, it will be insured that right holders will be able to use the system established pursuant to this provision of the Articles of Incorporation or the System from which support service will be purchased, and their rights defined in the applicable laws through the System in accordance with the provisions of the relevant Communiqué.

Operation Principles of the Board of Directors:

The Board of Director is authorized to conduct transactions for and on behalf of the Company and to represent and bind the Company.

Any documents and papers to be prepared/ issued for and on behalf of the Company and any connection and contracts to be made for and on behalf of the Company shall be valid and binding only if such will be signed by the person(s) duly under the title of the Company. The authorized representatives and their limits of authorization are determined by the resolution of the Board of Directors.

The Board is entitled to delegate its representation and management authority, partially or wholly, to one or more executive directors or managers who are not required to be shareholders of the Company. It is required that the Board is to grant representation authority for the Company to one of its members as minimum.

The Board is authorized to make decisions on all works excluding the authorizations specifically given to the General Assembly in the applicable laws and the Articles of Association.

The Board is entitled to delegate its management power wholly or partially to one or more Board members or a third party, pursuant to an internal regulation to be issued by it as per the Turkish Commercial Code and the Capital Market legislations.

The Board is entitled to assign commercial representative and commercial attorneys.

The Board meetings shall be held where required for the transactions and works of the Company. The Board members shall elect one of them as the Chairman of the Board at the first board meeting.

The Board of Directors may establish expert committees and commissions to monitor progress of the works, to prepare reports to be requested from them or for internal audit purposes, in which board members may be included. The Board of Directors is obligated establish, operate and develop an expert committee in order to diagnose any reasons which may endangered to the existence, development and continuance of the Company, application of the measures and remedies therefore, and management of the risk as per the article 378 of the Turkish Commercial Code.

Number, Structure and Independence of the Committees to be established by the Board:

In the Company, Corporate Governance Committee and Risk Detection Committee were established in addition to the Supervisory Committee in order to enable the Board of Directors to carry out its duties and responsibilities in a healthy manner.

The Board committees conducted the duties given to them regularly and in effective manner. They submitted the required reports to the Board of Directors. The presidents of the board committees are independent members of the Board and all of the members are non executive board members.

In conformity with their working principles, the committees of the Board of Directors convened 3 times in the year. The Supervisory Committee convened 4 times with minimum meeting per 3-month. Committee members fully participated in the meetings.

Risk management and Internal Control Mechanism:

The Company established an efficient risk management and internal control system, and the effectiveness of the system is monitored on the studies conducted by and reports issued by the Investor Relations Coordination.

The Company follows a risk management policy in conformity with international standards and applications regarding the risks that it encounters or may encounter.

In this sense, Investor Relations Coordination established within the Company carries out its activities to ensure that the operations of the Company are conducted in accordance with related regulations and legislation while also considering its short, medium and long-term targets of the Company.

INVESTMENTS

Despite its foundation in 2005, the sales of the Company recorded fast and stabilized growth reached to 257 million TL in very short period and its assets reached to 335 million TL. The Company, insured fast and stabilized growth through its continuous and innovative investments, continued its investments in 2013 as well, and the brief explanation about the investments in year 2013 is provided below.

Carpet Plant:

Two of 4 Van de Wiele carpet machines purchased by the Company at 3,640,000 EUR, to increase its production capacity started production in June as two other started production in August; and the production capacity of the Company was increased by 20% with such investment.

It is planned for 2014, to purchase 7 carpet machines and to sell 2 old machines. With this investment, the total number of carpet machines will be increased to 28 insuring further 20% increase in the capacity. As it was planned in the firm valuation and price determination reports issued during the initial public offering activity that 3 carpet machines would be purchased, since the actual demand exceeded the planned figures significantly, it is decided to increase the number of the carpet machines to be purchased.

Yarn Plant:

He yarn capacity of the Company was increased with the new Tricolor assembly line with the value of 2,634,000 EUR purchased by the Company to increase yarn production capacity.

It is planned to purchase 2 yarn production lines one for polyester yarns and one for polyamide yarns in 2014. With such lines total yarn production lines will be 8. The total cost of new yarn lines will be 7.300.000 EUR. As a result of this investment, 20% increase with 23,000 tons per annum is expected in the yarn production capacity. The investments planned for 2015 and 2017 in the firm valuation and price determination reports issued during the initial public offering shall be made earlier in order to meet the increasing demand and to increase the plants' capacity to produce in more variation.

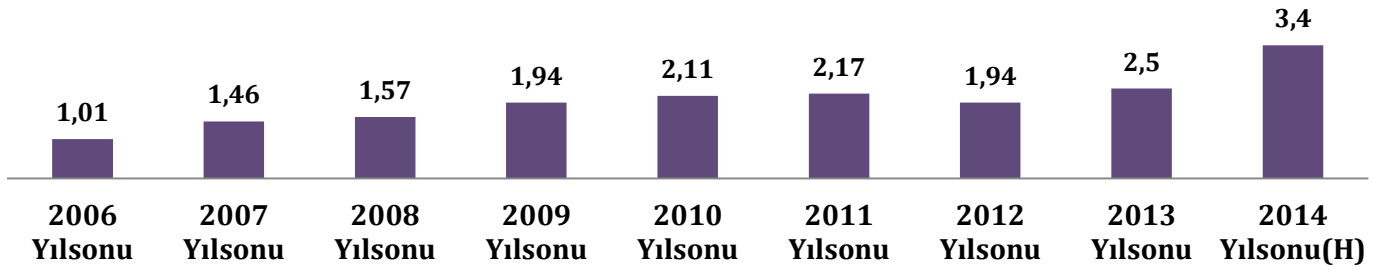
PRODUCTION AND CAPACITY DEVELOPMENT

Established in 2005 the Company sold 830,000 m² of carpet in 2006; and the sales in 2013 reached to 2,500,000 m² by 201% increase compare to 2006. For 2014, it is targeted to reach 3,400,000 m² carpet sales.

Similarly, the annual carpet production being 1,010,000 m² in 2006 reached to 2,500,000 m² in 2013 with a surge by 147% compare to 2006 figures. 2013 is the best year for the Company in terms of sales and production. The carpet sales amount being 117 million TL in 2012 is increased by 18% in 2013 reaching 138 million TL per annum.

Carpet production

■ Üretim (milyon m²)

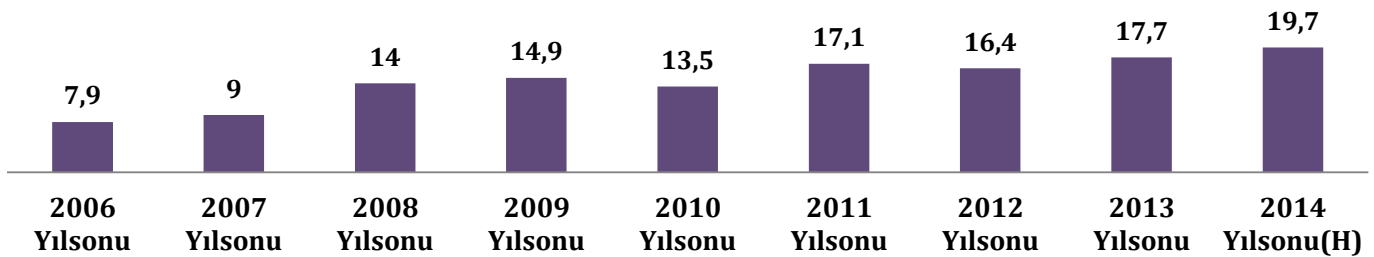


	2006	2007	2008	2009	2010	2011	2012	2013	2014 (F)
Number of Machines	11	14	15	15	19	19	19	23	28
Sales (million m ²)	0,83	1,34	1,64	1,96	2,15	2,11	2,03	2,5	3,4
Production (million m ²)	1,01	1,46	1,57	1,94	2,11	2,17	1,94	2,5	3,4

The number of carpet machines is increased to 23 with 4 new machines in last year. Such increase affected the production quantity significantly and the sales amount indirectly.

Yarn Production

■ Üretim (bin ton)



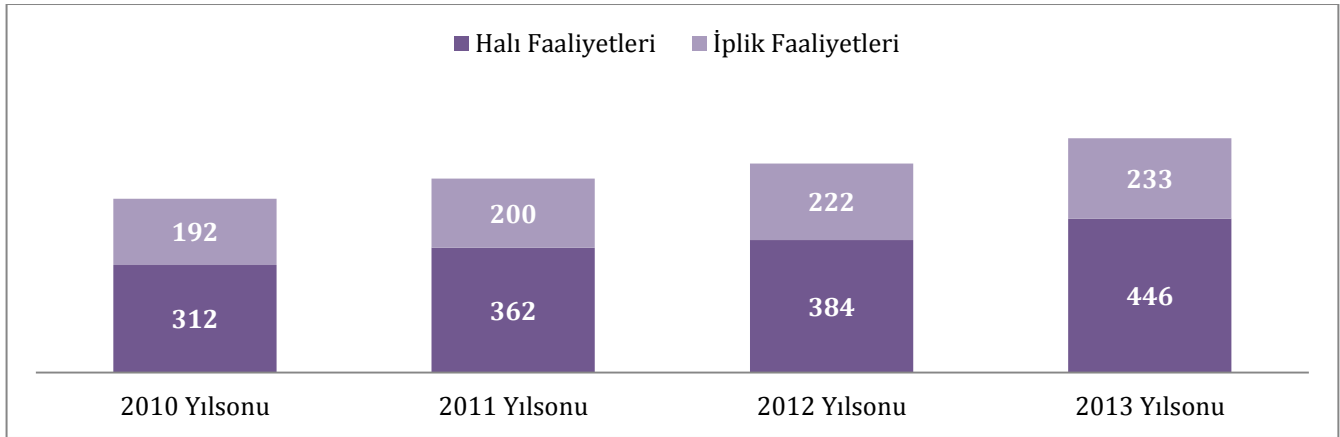
	2006	2007	2008	2009	2010	2011	2012	2013	2014 (H)
Number of Production Lines	2	3	4	4	4	5	5	6	8
Sales (thousand tons)	6,8	8,4	12,7	13,5	13,6	16,8	16,2	16,7	19,7
Production (thousand tons)	7,9	9	14	14,9	13,5	17,1	16,4	17,7	19,7

The number of production lines of the Company being only 2 in 2006 with 7,900 tons of yarn production and 6,800 tons of yarn sales was increased to 6 in 2013 with 17,700 tons of yarn production and 16,700 tons of yarn sales. The yarn production was increased by 124% during 2006-2013 and the sales quantity was increased by 145%. In 2013 with the inclusion of a new line, the capacity was increased by further 7%. The

production and sales quantities in 2013 are the highest figures in the history of the Company since its foundation.

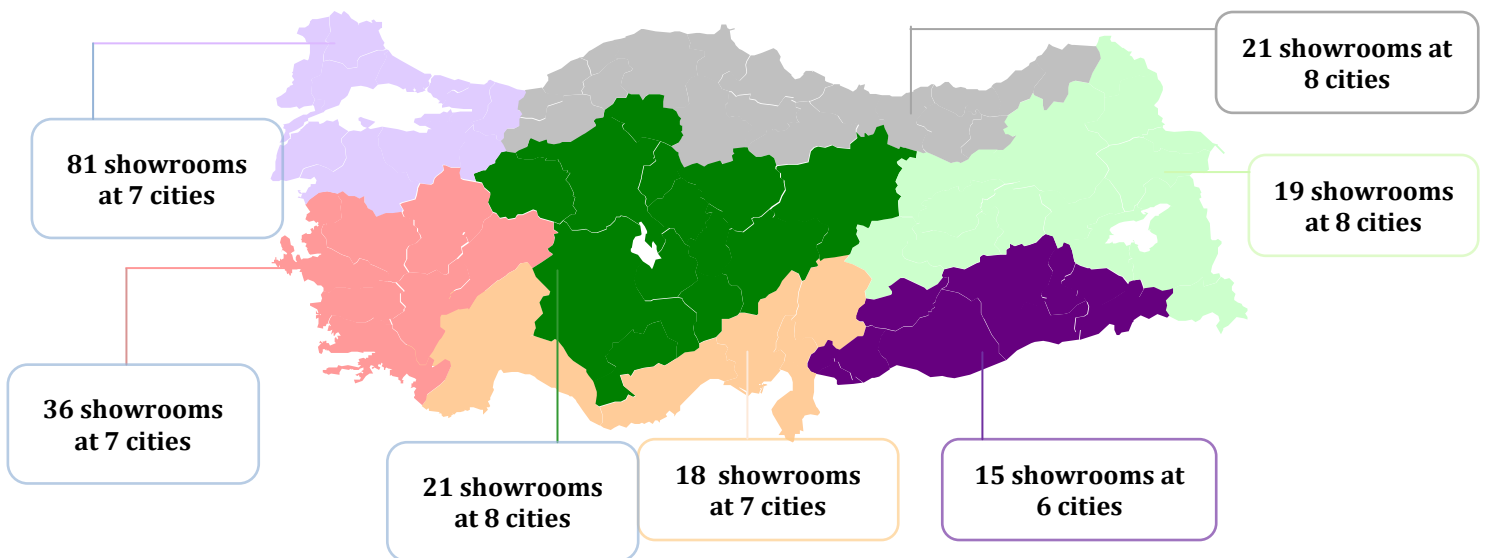
For 2014 it is planned to include 2 new production lines and 11% increase is expected in the yarn production. The yarn sales quantity for year 2014 is planned as 19,700 tons.

PERSONNEL

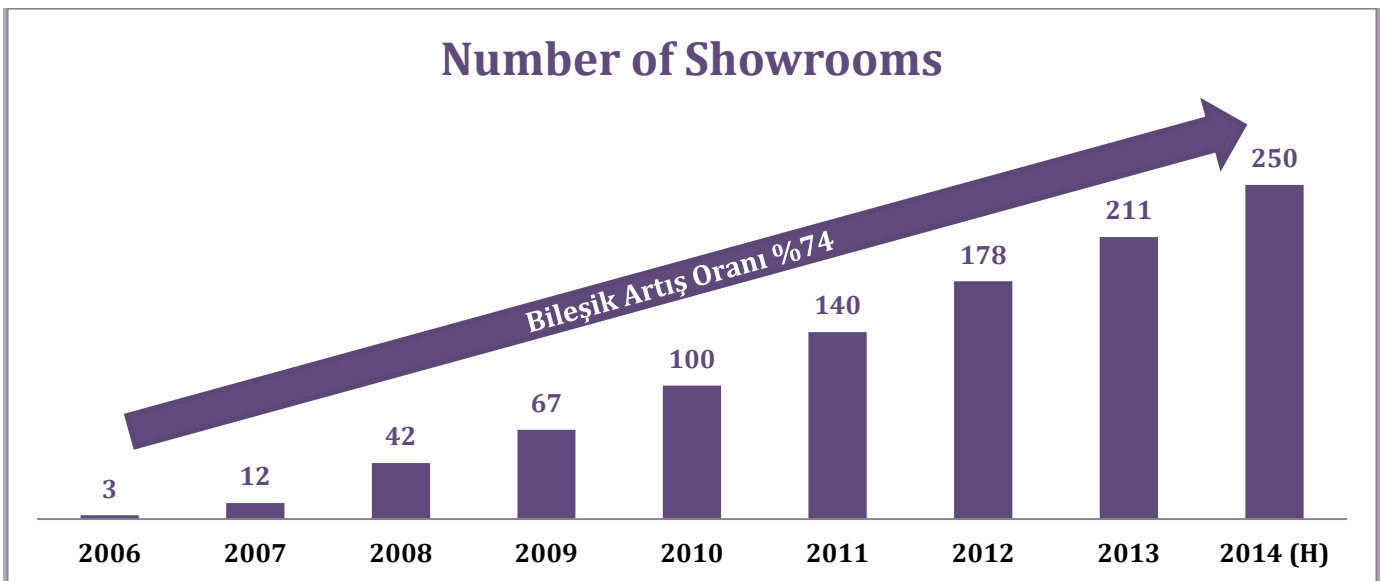
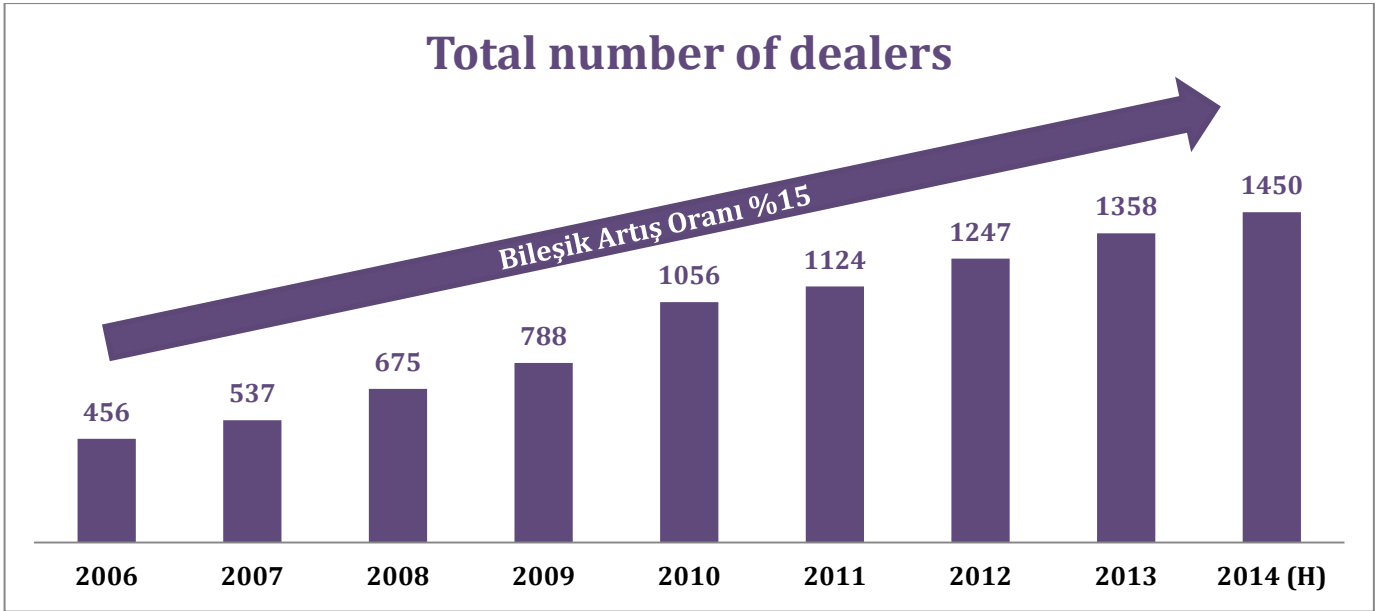


Royal Halı has 679 employees as of 31 December 2013. It is prescribed that such number will go up with the increase in production capacity.

DOMESTIC SALES NETWORK

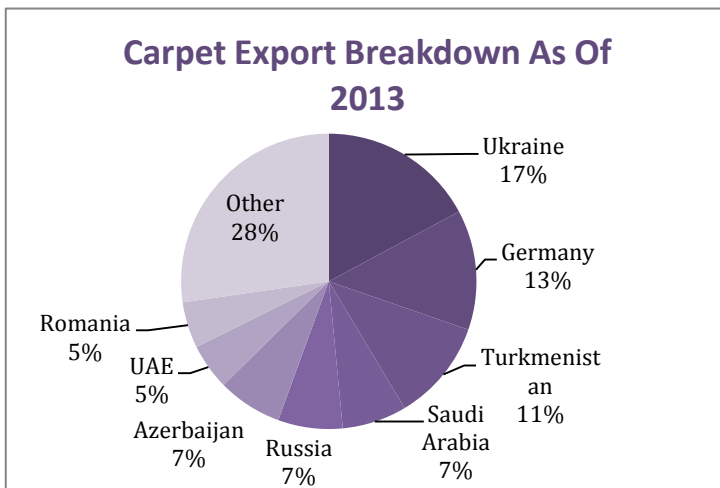


The number of dealers being 1247 at the end of 2012 was increased to 1358 at the end of December. Currently new sub-dealers and showrooms are opening in all over Turkey.



INTERNATIONAL (EXPORT) SALES

The international (export) sales of the Company establish 20% of the total sales of the Company from the carpets. The carpets produced by using acrylic have more value added compare to the carpets produced from Polypropylene (PP) and accordingly have higher returns.



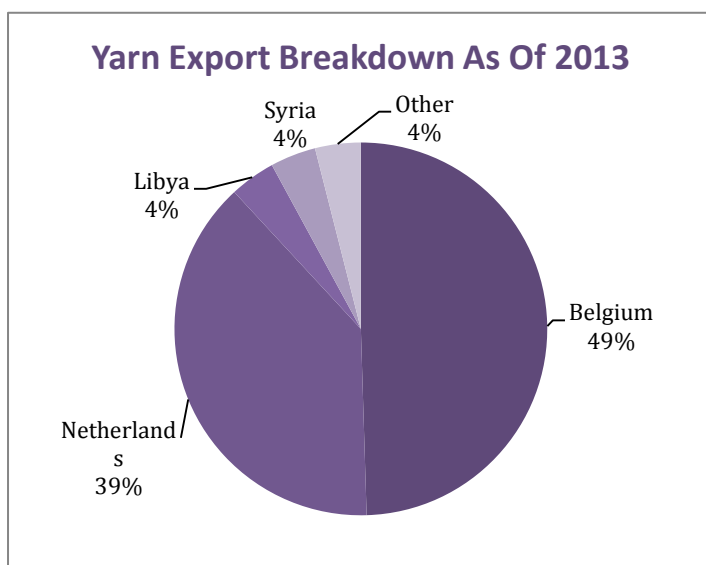
Saudi Arabia, Russia, Azerbaijan, United Arab Emirates, and Romania.

Sales Network and Customers: There are approximately 650 sales points selling Royal Hali and Pierre Cardin branded products through 45 distributors in 30 countries.

Export countries: Products of the Company are exported to nearly 30 countries including particularly Ukraine, Germany, Turkmenistan,

Target Markets: Algeria, Libya and Brazil

The Company sells PP yarns to large carpet producers in abroad mainly, and uses very small quantity in its production. As 88% of the total income from yarn was from export sales in 2012 this figure reached to 96% in September 2013. With the inclusion of latest technology polyamide and polyester yarn production lines planned to be operated in 2014, it will be among the leading suppliers in the region. We expect some increase in the export sales due to increase in our market share in the neighborhood and region countries, thanks to utilization of this technology.



Major Customers: Balta (Belgium), Associated Weavers (Belgium), Condor (Netherlands), Beaulieu (Belgium), Betap (Netherlands) and Regency (UK) considered as the biggest carpet producers in Europe in tufting carpet.

Countries of Export: nearly 30 countries since the foundation of the Company including Belgium, Netherlands, Libya, Syria, and UK.

Target Markets: USA, UK, Eastern Europe Countries, Middle and Latin America, North Africa and Middle East

FINANCIAL STATEMENTS

	Current Period Audited 31.12.2013	Reinstated (*) Previous Period Audited 31.12.2012	Reinstated (*) Previous Period Audited 31.12.2011
VARLIKLAR			
Current Assets	195,153,865	109,403,695	133,232,492
Cash and cash Equivalents	2,883,923	1,662,350	881,903
Trade Receivables	84,744,762	58,750,401	73,855,282
- <i>Trade Receivables from related parties</i>	2,483,509	9,529,594	810,274
- <i>Trade Receivables from non related parties</i>	82,261,253	49,220,807	73,045,008
Other Receivables	50,974,556	9,957,455	19,704,628
- <i>Other Receivables from related parties</i>	20,717,020	833,101	-
- <i>Other Receivables from non related parties</i>	30,257,536	9,124,354	19,704,628
Stocks	44,060,295	31,571,879	31,527,036
Prepaid Expenses	2,559,518	1,412,032	1,609,542
Assets related to Current Period Taxes	3,995,812	4,708,498	489,467
Other Current Assets	2,638,749	1,341,080	5,164,634
Fixed Assets held for sales	3,296,250	-	-
Fixed Assets	140,409,420	120,915,467	141,582,029
Trade Receivables	254,048	348,725	166,100
- <i>Trade Receivables from non related parties</i>	254,048	348,725	166,100
Other Receivables	6,370,206	1,337,501	1,804,738
- <i>Other Receivables from non related parties</i>	6,370,206	1,337,501	1,804,738
Tangible Fixed Assets	114,639,117	105,355,002	125,785,583
Intangible Fixed Assets			
- <i>Other intangible fixed assets</i>	5,228,618	6,594,689	8,487,381
Prepaid Expenses	6,136,175	1,826,108	2,055,867
Deferred Tax Assets	7,781,256	5,453,442	3,282,360
TITAL ASSETS	335,563,285	230,319,162	274,814,521

	Current Period Audited 31.12.2013	Reinstated (*) Previous Period Audited 31.12.2012	Reinstated (*) Previous Period Audited 31.12.2011
LIABILITIES & OE			
Short Term Liabilities	84,435,482	68,375,073	143,247,992
Short term borrowings	3,947,091	10,370,232	6,924,435
Short Term Parts of Long term Borrowings	7,081,267	9,658,807	52,747,738
Trade Payables	32,458,731	29,116,523	60,839,187
- Trade payables to related parties	13,000	161,643	3,289,585
- Trade payables to no- related parties	32,445,731	28,954,880	57,549,602
Payables within the scope of the Benefits provided to			
Employees	1,537,226	638,428	448,948
Other Payables	1,326,449	135,622	41,869
Deferred Income	32,302,055	10,388,841	22,178,199
Tax Obligation on Profit for the Period	4,643,151	7,287,514	-
Short term provisions			
- Provisions related to benefits provided to the employees	27,914	-	-
- Other short term provisions	753,448	779,106	67,616
Derivative instruments	358,150	-	-
Long Term Liabilities	60,674,687	25,191,500	24,539,082
Long term Borrowings	41,792,599	8,194,127	4,751,025
Trade Payables	1,630,796	4,930,606	7,999,467
- Trade payables to no- related parties	1,630,796	4,930,606	7,999,467
Deferred Income	6,081,634	1,281,250	1,746,313
Long term provisions			
- Provisions related to benefits provided to the employees	1,311,886	837,992	514,781
Current Period tax payables			
Deferred Tax Obligation	9,857,772	9,947,525	9,527,496
OWNERS' EQUITY	190,453,116	136,752,589	107,027,447
Equity Capital	190,092,049	136,752,589	107,027,447
Paid in capital	60,000,000	50,000,000	46,878,214
Capital Adjustment differences	746,913	746,913	746,913
Premiums/ Discounts related to the shares	31,340,295	-	-
Other Accumulated Extensive Incomes and Expenses which will not be classified in profit or Loss			
- Actuarial gain/ (loss) in calculation of provision for severance payment	(542,267)	(178,940)	(154,357)
- Revaluation Increases/ Decreases in Tangible Fixed Assets	36,713,585	39,380,414	54,717,554
Effect of the Merger of Entities and Firms under common control	(2,390,557)	-	-
Restricted Profit Reserves	2,972,851	1,116,622	436,059
Previous Years Losses/ profits	43,831,351	3,722,501	1,930,919
Net Profit/ Loss for the period	17,419,878	41,965,079	2,472,145
Shares with no control power	361,067	-	-
TOTAL LIABILITIES& OE	335,563,285	230,319,162	274,814,521

	Current Period	Reinstated (*) Previous Period
	Audited	Audited
	01.01.- 31.12.2013	01.01.- 31.12.2012
Continuing Operations		
Sales	257,204,012	222,497,188
Cost of Sales (-)	(184,086,158)	(157,018,319)
Gross profit / (Loss)	73,117,854	65,478,869
General Management Expenses (-)	(7,645,639)	(5,917,241)
Marketing, Sales and Distribution Expenses (-)	(32,644,611)	(23,359,049)
R&D Expenses (-)	(242,286)	(209,368)
Other operating incomes	11,877,451	15,833,934
Other operating expenses (-)	(11,987,417)	(13,334,716)
OPERATING PROFIT / (LOSS)	32,475,352	38,492,429
Incomes from Investment Activities	330,000	6,160,721
Investment Expenses (-)	(335,492)	(737,593)
Operating Income before financial Income/ (Expense)	32,469,860	43,915,557
Financial Incomes	3,874,733	9,975,479
Financial Expenses (-)	(14,607,062)	(6,495,125)
Profit/ (Loss) before Tax from operations	21,737,531	47,395,911
Tax Income/ (Expense) from Operations	(4,107,647)	(5,430,832)
Tax (Expense) / Income for the period	(4,643,151)	(7,287,514)
Deferred Tax (Expense) / Income	535,504	1,856,682
Profit/ (Loss) for the Period	17,629,884	41,965,079
Distribution of Profit/ Loss for the Period		
Non Controlling Shares	210,006	-
Majority Shares	17,419,878	41,965,079
Earnings per share	0.31	0.84

FINANCIAL ANALYSIS

Summary Balance Sheet	31.12.2011	31.12.2012	31.12.2013
Current Assets	133.232.492	109.403.695	195.153.865
Fixed Assets	141.582.029	120.915.467	140.409.420
Total Assets	274.814.521	230.319.162	335.563.285
Short Term Liabilities	143.247.992	68.375.073	84.435.482
Long Term Liabilities	24.539.082	25.191.500	60.674.687
Equity	107.027.447	136.752.589	190.453.116
Total Liabilities & OE	274.814.521	230.319.162	335.563.285

Total assets jumped 45% compare to the previous period. As the current assets increased by 78% the short term liabilities increased by 23% only; and accordingly the current ratio increased to 2.3. The Company used long term financing for increase in total assets in 2013, and the net working capital of the Company increased in this sense. In line with the increase in the net working capital, the liquidity ratio being 1.4 in previous year increased to 1.78 at the end of 2013.

Total debts to equity ratio realized as 1.56 at the end of 2011 realized as 0.68 in 2012 and 0.76 in 2013 as a result of the financial management policies applied.

Some part of the incomes obtained as a result of the public offering of shares invested in stocks. With this income, cash yarn purchase was increased and discounts were insured in purchases. Other part of the income from public offering was used to pay some of financial debts and with the long term borrowing policy of the Company; the term of the financial loans was extended. The Company used such incomes in capacity increase.

SUMMARY INCOME STATEMENT	31.12.2011	31.12.2012	31.12.2013
Net Sales(TL)	212.141.455	222.497.188	257.204.012
Gross Profit(TL)	56.733.954	65.478.869	73.117.854
Operating Profit(TL)	30.830.746	38.492.429	32.475.352
Net Profit for the Period(TL)	2.472.145	41.965.079	17.629.884
EBITDA(TL)	40.236.056	47.887.261	43.271.066
Number of Shares	50.000.000	50.000.000	60.000.000
Depreciation(TL)	9.405.310	9.394.832	10.795.714

FINANCIAL RATIOS	31.12.2011	31.12.2012	31.12.2013
Profit before Tax for the Period/ Net Sales	1,2%	21,3%	8,2%
Net Profit for the Period / Total Equity	2,3%	30,7%	9,0%
Current Ratio (Current Assets / Short Term Liabilities)	0,93	1,60	2,30
Liquidity Ratio (Current Assets – Stocks / Short Term Liabilities)	0,71	1,14	1,78
Total Liabilities / Equity	156,8%	68,4%	76,7%
Total Liabilities / Total Assets	61,1%	40,6%	43,4%
Gross Profit Margin (%)	26,7%	29,4%	28,4%
Net Profit Margin (%)	1,2%	18,8%	6,7%
EBITDA Margin (%)	19,0%	21,5%	16,8%
Earnings per Share (1 TL Nominal)	0,05	0,84	0,31
Profit before Tax (TL)	2.618.949	47.395.911	21.737.531
Stocks (TL)	31.527.036	31.571.879	44.060.295

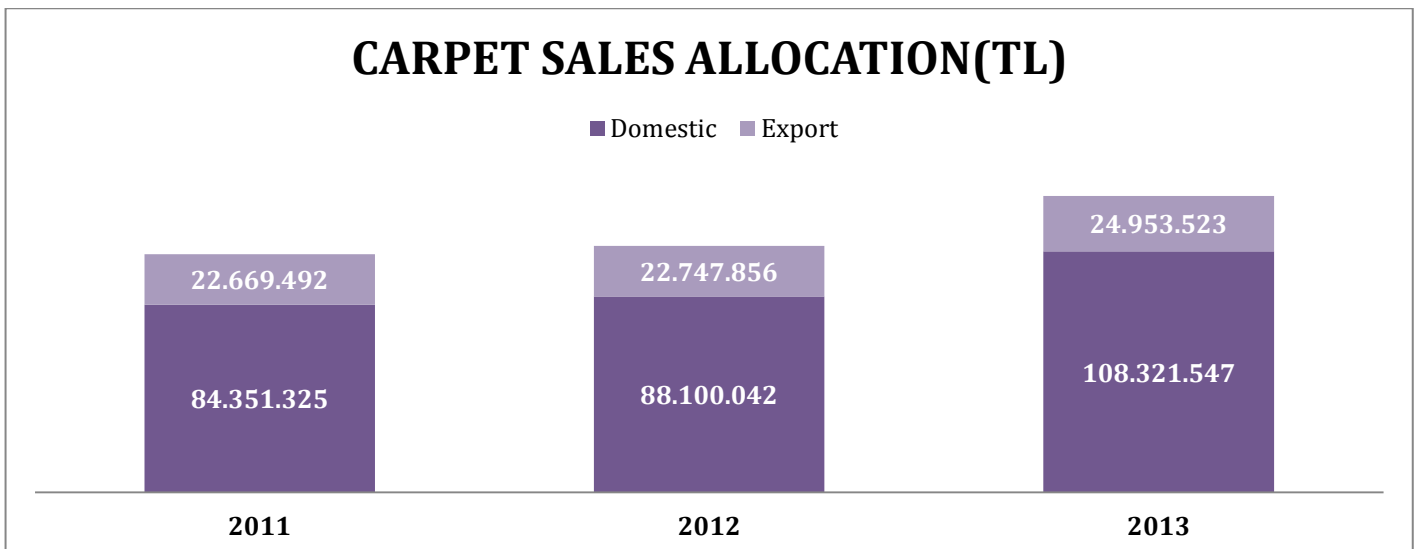
Distribution of Sales per Operation



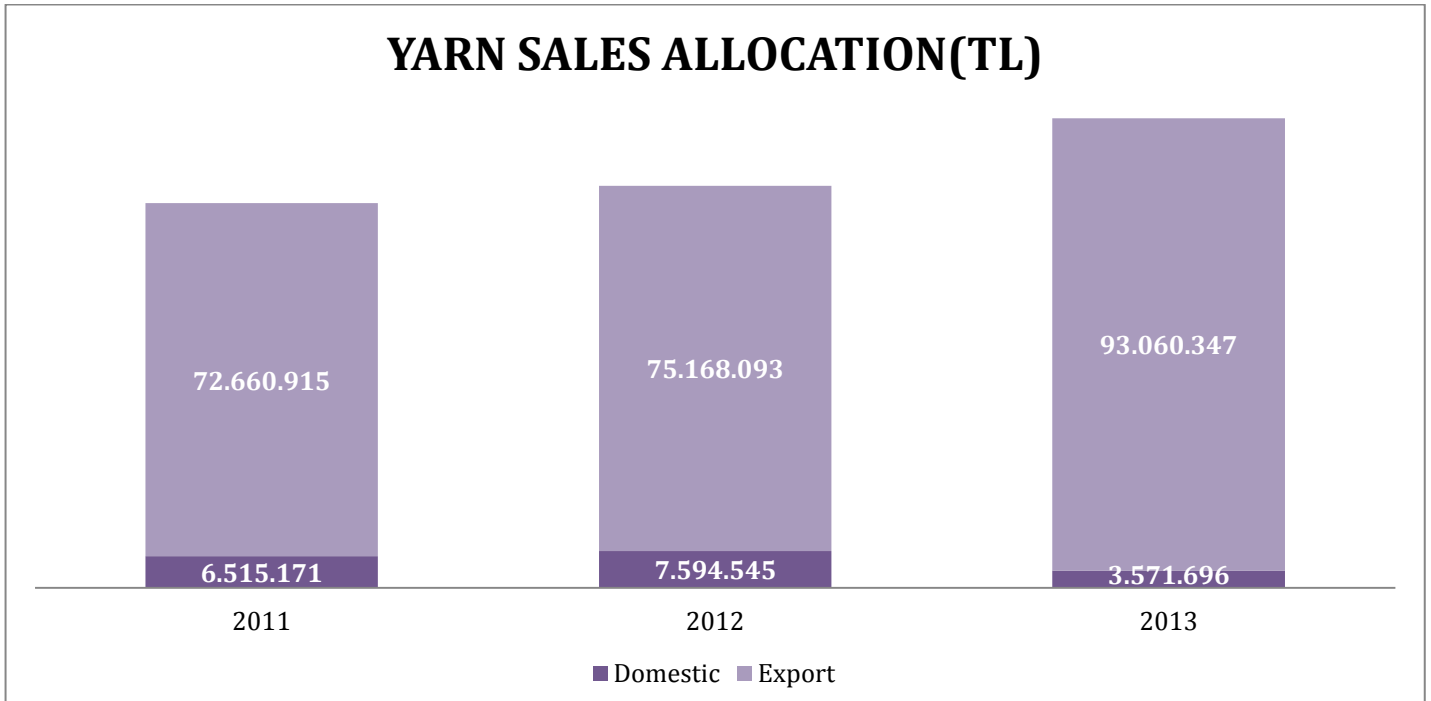
(*) The relevant amounts consist of the operations excluding the carpet and yarn operations.

When sales figures from carpet and yarn operations are compared for years 2011-2012-2013, it is seen both yarn and carpet sales were increased. As carpet operation sales increased in 2011 by 24%, it increased by 20% in 2012. As for yarn operation, it increased 21% in 2011 it increased by 17% in 2012. Total net sales increased by 21% in 2011 and 15% in 2012.

CLASSIFICATION OF THE SALES BY PRODUCTS

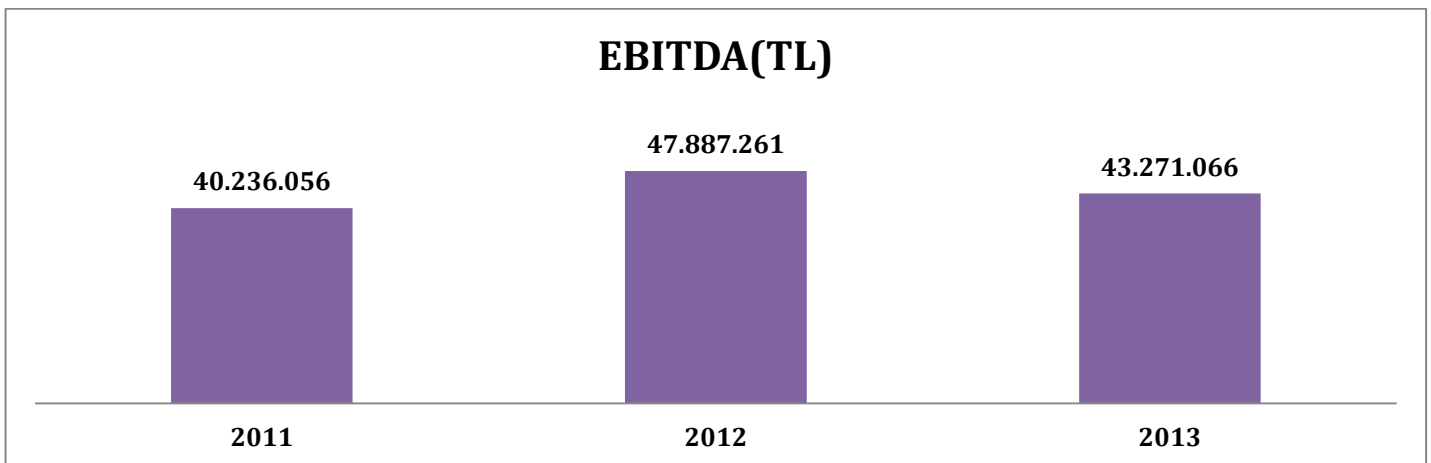


In 2013, both domestic and international sales were increased significantly. The domestic carpet sales in 2011 were increased by 28% in 2011, and 22% in 2012. As for the international sales, it increased by 10% in 2011 and 9% in 2012.

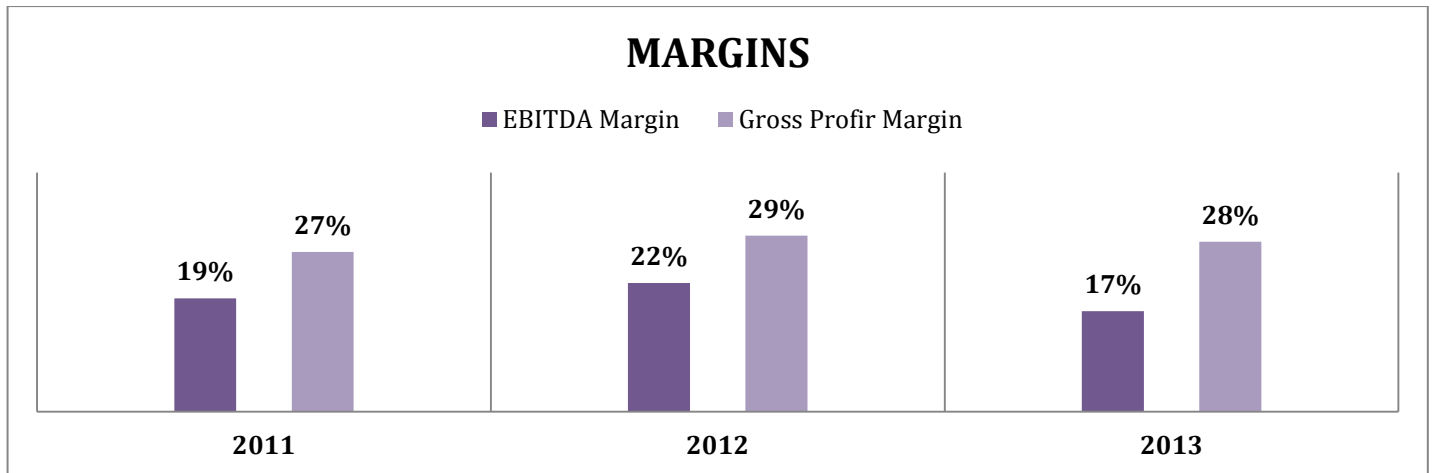


The ratio of domestic sales decreased as the export sales increased as a result of concentration of the yarn operations in the foreign markets in 2013. In 2011, the international sales increased by 28% in yarn operations, and by 24% in 2012. In 2011, domestic sales increased by 46% and decreased by 53% in 2012.

PROFITABILITY



Despite increase in net sales, EBITDA was decreased due to increase in marketing, sales and distribution expenses. Increase in personnel expenses in marketing, sales and distribution expenses and public offering expenses caused reduction in the operating profit.



Gross profit margin was realized at a similar level to the gross margins of the previous years. As for EBITDA margin, it was decreased due to expenses from promotional campaigns for brand positioning and extension in target markets as well as the public offering expenses.

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