İZOCAM
TİCARET VE SANAYİ A.Ş.

INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE PERIOD ENDED
MARCH 31, 2014

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

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INTERIM STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2014

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.
Other currencies other than TL are expressed in full unless otherwise stated.)

	Note	Current period March 31, 2014	Restated (*) Prior Period December 31, 2013
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	5.698.191	6.737.578
Trade Receivables	7	96.375.719	87.067.118
Due From Related Parties	*4*	*1.091.261*	*414.145*
Due From Third Parties		*95.284.458*	*86.652.973*
Other Receivables	8	2.782	-
Due From Third Parties		*2.782*	-
Inventories	9	38.462.028	23.230.162
Prepaid Expenses	16	1.287.583	1.454.616
Other Current Assets	18	3.423.232	1.587.066
SUBTOTAL		**145.249.535**	**120.076.540**
Assets Classified As Held for Sale	10	-	1.995.421
TOTAL CURRENT ASSETS		**145.249.535**	**122.071.961**
Non-Current Assets			
Other Receivables	8	13.376	17.241
Due From Third Parties		*13.376*	*17.241*
Property, Plant and Equipment	11	92.429.169	92.816.398
Intangible Assets	12	57.882	69.226
Other Intangible Assets		*57.882*	*69.226*
Prepaid Expenses	16	496.223	42.462
Other Non-Current Assets		15.377	13.896
TOTAL NON-CURRENT ASSETS		**93.012.027**	**92.959.223**
TOTAL ASSETS		**238.261.562**	**215.031.184**
LIABILITIES			
Current Liabilities			
Financial Liabilities	6	17.635.007	22.022.085
Trade Payables	7	24.418.878	23.208.306
Due To Related Parties	*4*	*899.889*	*322.247*
Third Party Payables		*23.518.989*	*22.886.059*
Employee Benefit Obligations	15	927.133	2.167.929
Other Payables	8	14.870	5.540
Third Party Payables		*14.870*	*5.540*
Deferred Income	17	10.933.732	4.910.216
Current Tax Liability	27	10.897.602	1.800.812
Short Term Provisions		978.819	2.270.893
Provision For Short Term Employee Benefits	*13*	*832.919*	*2.171.102*
Other Short-Term Provisions	*13*	*145.900*	*99.791*
Other Current Liabilities	*18*	697.998	1.171.288
TOTAL CURRENT LIABILITIES		**66.504.039**	**57.557.069**
Non-Current Liabilities			
Long Term Provisions	13	9.378.823	8.560.523
Provision For Long Term Employee Benefits		*9.378.823*	*8.560.523*
Deferred Tax Liabilities	27	666.705	633.355
TOTAL NON-CURRENT LIABILITIES		**10.045.528**	**9.193.878**
EQUITY			
Paid-in Capital	19	24.534.143	24.534.143
Adjustment on Capital	19	25.856.460	25.856.460
Share Premiums	19	1.092	1.092
Other Comprehensive Income / Expense Not to be Reclassified to Profit or Losses			
Revaluation and Remeasurement Profit / Losses		*(3.639.840)*	*(3.346.848)*
Restricted Reserves On Retained Earnings	19	26.097.378	32.510.225
Retained Earnings		44.926.987	41.705.860
Net Profit For The Period		43.935.775	27.019.305
TOTAL EQUITY		**161.711.995**	**148.280.237**
TOTAL LIABILITIES AND EQUİTY		**238.261.562**	**215.031.184**

(*) See note 2.2 for the effect of restatement.

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED MARCH 31, 2014

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.
Other currencies other than TL are expressed in full unless otherwise stated.)

	Note	Current period January 1 - March 31, 2014	Restated (*) Prior Period 1 January - December 31, 2013
Revenues	20	83.881.026	74.902.916
Cost of Sales (-)	20	(61.208.671)	(55.762.363)
GROSS PROFIT		**22.672.355**	**19.140.553**
Marketing, Sales and Distribution Expenses (-)	21	(9.669.995)	(9.103.522)
Administrative Expenses (-)	22	(3.056.477)	(3.067.935)
Other Operating Income	24	1.508.414	1.259.481
Other Operating Expense (-)	24	(11.676)	(117.074)
OPERATING PROFIT		**11.442.621**	**8.111.503**
Income from investment activities	25	42.916.456	-
OPERATING PROFIT BEFORE FINANCE COSTS		**54.359.077**	**8.111.503**
Finance Income	26	1.116.601	8.124
Finance Costs (-)	26	(535.703)	(484.756)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**54.939.975**	**7.634.871**
Tax Expenses on Continuing Operations		**(11.004.200)**	**(1.534.567)**
Income Tax Expense	27	(10.897.602)	(1.550.771)
Deferred Tax Expense	27	(106.598)	16.204
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**43.935.775**	**6.100.304**
NET PROFIT FOR THE PERIOD		**43.935.775**	**6.100.304**
Earnings Per Share			
Earnings Per Share From Continuing Operations		*0,01791*	*0,00249*
Diluted Earnings Per Share			
Diluted Earnings Per Share From Continuing Operations		*0,01791*	*0,00249*
OTHER COMPREHENSIVE INCOME			
Items That Will Never Be Classified To Profit Or Loss			
Remeasurement of Defined Benefit Plans	*15*	*(366.239)*	-
Tax effect of Remeasurement of Defined Benefit	*27*	*73.247*	-
OTHER COMPREHENSIVE INCOME		**292.992**	**-**
TOTAL COMPREHENSIVE INCOME		**43.642.783**	**6.100.304**

(*) See note 2.2 for the effect of restatement.

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2014

(Amounts expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.)

					Items that will never be reclassified to profit or loss		Retained Earnings		
	Notes	**Paid-in Capital**	**Adjustment on Capital**	**Share premiums**	**Revaluation and remeasurement gains/(losses)**	**Restricted Reserves**	**Retained earnings**	**Net profit for period**	**Total Equity**
January 1, 2013 (previously reported)		**24.534.143**	**25.856.460**	**1.092**	**(1.149.441)**	**29.982.894**	**44.991.406**	**24.061.794**	**148.278.348**
Effect of restatement (*)	2.2	-	-	-	(1.679.991)	-	-	1.679.991	-
January 1, 2013 (restated)		**24.534.143**	**25.856.460**	**1.092**	**(2.829.432)**	**29.982.894**	**44.991.406**	**25.741.785**	**148.278.348**
Transfers		-	-	-		2.527.331	23.214.454	(25.741.785)	-
Dividends	4	-	-	-	-	-	(26.500.000)		(26.500.000)
Total comprehensive income		-	-	-		--	--	6.100.304	6.100.304
Other comprehensive income		-	-	-	-	-	-	-	-
Net Profit for the period		-	-	-	-	-	-	*6.100.304*	*6.100.304*
March 31,2013		**24.534.143**	**25.856.460**	**1.092**	**(2.829.432)**	**32.510.223**	**41.705.860**	**6.100.304**	**127.878.652**
January 1, 2014		**24.534.143**	**25.856.460**	**1.092**	**(3.346.848)**	**32.510.225**	**41.705.860**	**27.019.305**	**148.280.237**
Transfers		-	-	-		3.220.480	23.798.825	(27.019.305)	-
Dividends	19	-	-	-		(9.633.327)	(20.577.698)	-	(30.211.025)
Total comprehensive income		-	-	-	(292.992)	-	-	43.935.775	43.642.783
Other comprehensive income		-	-	-	*(292.992)*	-	-		*(292.992)*
Net Profit for the period		-	-	-	-	-	-	***43.935.775***	*43.935.775*
March 31, 2014		**24.534.143**	**25.856.460**	**1.092**	**(3.639.840)**	**26.097.378**	**44.926.987**	**43.935.775**	**161.711.995**

(*) See Note 2.2 for the effect of restatement.

İZOCAM TICARET VE SANAYI ANONIM ŞIRKETI

INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2014

(Amount expressed in TL unless otherwise stated.
Other currencies other than TL are expressed in full unless otherwise stated.)

	Note	Current Period January 1 – March 31, 2014	Restated (*) Prior Period January 1 – March 31, 2013
A. CASH FLOWS FROM OPERATING ACTIVITIES		**(9.683.581)**	**(2.269.672)**
Net Profit		43.935.775	6.100.304
Adjustments for reconciliation of profit/loss for the period		**(46.182.547)**	**(3.779.005)**
Adjustment for depreciation and amortization	23	2.096.947	1.715.462
Adjustment for provision for employee termination benefits		125.799	209.526
Adjustment for provision for vacation pay liability		356.564	276.031
Adjustment for provision ofs doubtful receivables		(53.359)	5.679
Adjustment for provisions		890.544	-
Adjustment for Interest income		(1.006.420)	(251.813)
Adjustment for foreign currency income / expenses		(996.601)	-
Adjustment for tax expense/(income)	27	11.004.200	1.534.567
Adjustment for increase on blockage accounts		(842.852)	2.241.884
Adjustment for (increase)/decrease on stocks		(15.231.866)	(8.930.459)
Adjustment for (increase)/decrease on trade receivables		(8.513.017)	337.103
Adjustment for (increase)/decrease other receivables on operations		2.384	(433)
Adjustment for increase/(decrease) on trade payables		1.210.572	(3.420.552)
Adjustment for (gains)/losses on sale of property, plant and equipment, net	25	(42.916.456)	-
Adjustment for increase/(decrease) on deferred tax expense		6.023.516	-
Adjustment for other increase/decrease on working capital		1.667.498	2.504.000
Cash Flows From Operations		**(7.436.809)**	**(4.590.971)**
Tax returns/(payments)		(5.449.040)	(1.922.168)
Provisions paid	13	(2.182.618)	(3.108.955)
Severance provisions paid	13	(180.895)	(180.609)
Other cash inflow/(outflow)		375.744	620.761
B. CASH FLOWS FROM INVESTING ACTIVITIES		**43.971.714**	**(5.111.666)**
Cash outflows from the purchase of property, plant and equipment	11	(2.605.940)	(1.020.056)
Cash inflows from the sale of property, plant and equipment	25	46.232.210	-
Interest received		345.444	735.710
Cash advance given		-	(4.827.320)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(34.484.668)**	**7.310.081**
Bank borrowings received		(4.001.131)	34.178.631
Interest paid		(272.512)	(378.479)
Dividends paid	19	(30.211.025)	(26.490.071)
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)		**(196.535)**	**(71.257)**
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**5**	**1.178.824**	**1.572.971**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D)	**5**	**982.289**	**1.501.714**

(*) See note 2.2 for the effect of restatement.

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

İzocam Ticaret ve Sanayi Anonim Şirketi ("İzocam" or the "Company") was established in 1965 in order to operate in production, importation and exportation of glasswool, stonewool, mineral wool, glass fiber, expanded and extruded polystyrenes, elastomeric rubber, polyethylene, insulated and noninsulated roof and front panels, partition and mezzanine.

As at March 31, 2014, İzocam Holding Anonim Şirketi's ("İzocam Holding") share in the Company is to 95.07 percent through acquisition of 1.501.330.396 shares not listed in Borsa İstanbul Anonim Şirketi ("BIST") from Koç Group on 29 November 2006 and on 10 July 2007 representing 61,16 percent of paid-in capital of İzocam together with the collection of 831.117.304 shares traded on BİST which represents 33,91 percent of paid-in capital of İzocam. İzocam Holding is a joint venture of Compagnie de Saint Gobain Group and Alghanim Group by with an equal ownership of 50 percent by both parties.

The Company conducts a portion of its operations with related parties of Saint Gobain Group and Alghanim Group companies. The Company has related parties acting as both customers and suppliers (Note 4). The Company is registered at Capital Market Board of Turkey ("CMB") and its shares are listed in BİST since 15 April 1981. As at March 31, 2014, 38,84 percent of the shares are publicly traded at BİST (December 31, 2013: 38,84%).

As of March 31, 2014, total number of employees of the Company is an average basis 431 (December 31,2013: 428) including 194 white collar employees (December 31,2013: 189) and 237 blue collar employees (December 31, 2013: 239).

The address of the registered office and headquarters of the Company is as follows:

Altayçeşme Mahallesi Öz Sokak,
No: 19 Kat: 3, 5, 6
34843 Maltepe / İstanbul

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) *Statement of compliance*

The Company maintains its book of accounts and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the Turkish Uniform Chart of Accounts, Turkish Commercial Code and Turkish Tax Code.

Accompanying financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("KGK") together with the provisions of accordance with to CMB's "Principles of Financial Reporting in Capital Market" dated 13 June 2013 and published in the Official Gazette numbered 28676 Series II. No.14.1. TAS consist of Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and related addendums and interpretations to these standards.

Company's statement of financial position as at March 31, 2014 and statement of profit or loss and other comprehensive income for period ended was authorized for issue by the Board of Directors of the Company on April 29, 2014. General assembly and legal authorities have the right to change the accompanying financial statements upon publication.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of presentation (continued)

b) *Basis of presentation of financial statements*

Accompanying financial statements of the Company are prepared in accordance with CMB's "Announcement on Format of Financial Statements and Footnotes" dated June 7, 2013.

With the resolution taken on March 17, 2005, CMB has announced that, effective from January 1, 2005, the application of TAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards.

The equity items including paid-in capital, share premium, legal reserves presented under restricted reserves and special reserves presented under restricted reserves are presented in accordance with the TCC basis amounts and the effects of inflation over those equity items as at December 31,2004 are reflected in retained earnings.

The financial statements are prepared in TL based on the historical cost basis.

c) *Functional and presentation currency*

These financial statements are presented in TL, which is the Company's functional currency. All financial information presented in TL unless otherwise stated. All other currencies are stated full unless otherwise stated.

2.2 Comparative information

Financial statements prepared as at and for the period ended March 31, 2014 are presented comparatively with prior period as at and for the year ended December 31, 2013. If necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative information is reclassified and related differences are explained in related notes.

In accordance with the amendments to TAS 19 – Employee benefits, actuarial gains/losses related to employee termination benefits are recognized under equity. This application is effective for annual periods beginning on or after 1 January 2013. The Company recorded actuarial gains and losses related to provision for severance pay liability until 31 December 2012 in profit or loss. The Company applied this change in accounting policy due to change in accounting standard retrospectively and financial statements and actuarial gain and losses reported in previous year reports were restated. Accordingly, opening balance of retained earnings and revaluation and re-measurement loss in equity as of 1 January 2012 decreased and increased by TL 1.149.441 respectively. Additionally, net profit for the year ended 31 December 2012 has increased by TL 1.679.991 together with revaluation and re-measurement losses under equity increased by TL 2.829.432.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.2 Comparative information (continued)

In accordance with the amendments to TAS 19 – short term benefits provided to employees comprise the ones which are expected to be settled wholly in twelve months after the end of the reporting period. This application is effective for annual periods beginning on or after 1 January 2013. Regarding this issue, since the Company's expectation is not to settle the whole unused vacation provision within twelve months after the end of the reporting period, and unused vacation provision should be reclassified from short term provisions for employee benefits to long term provisions for employee benefits, previously issued financial statements for the year ended December 31, 2013 should be restated. Within this context, the Company reclassified short term portion of unused vacation pay to long term provisions for employee benefits amounting to TL 135.249.

Based on the decision taken on June 7, 2013 by the CMB at its meeting numbered 20/670, a new set of illustrative financial statements and guidance to it has been issued effective from the interim periods ended after March 31, 2013 which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes have been made at the Company's financial statements. The reclassifications that are made at the Company's statement of financial position as at December 31, 2013 and statement of comprehensive income for the period between January 1 and March 31, 2013 are as follows:

- Advances given amounting to TL 1.220.113 presented under trade receivable on the statement of financial position as of December 31, 2013, was reclassified to short term prepaid expenses and previously issued financial statements as of December 31, 2013, were restated.

- Advances given for fixed assets amounting to TL 42.462 presented under short term prepaid expenses on the statement of financial position as of December 31, 2013, was reclassifed to short term prepaid expenses and previously issued financial statements as of December 31, 2013, were restated.

- Advances taken amounting to 4.190.216 presented under trade payables on the statement of financial position as of December 31, 2013, was reclassified to deferrred income as of December 31, 2013 and previously issued financial statements of December 31, 2013, were restated.

- VAT payable amounting to TL 872.165 presented under payable for employe benefits on the statement of financial position as of December 31, 2013, was reclassified to other short term liabilities and previously issued financial statements as of December 31, 2013, were restated.

- FX Gain amounting to 98.035 presented under financial expense on the statement of profit or loss and other comprehensive income for the period ended March 31, 2013 was reclassified to other operating income.

- Interest Income amounting to TL 727.586 presented under financial income on the statement of profit or loss and other comprehensive income for the period ended March 31, 2013 was reclassified to operating income.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Changes in accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements. As explained in Note 2.2, certain comparative amounts have been reclassified or re-presented, either as a result of a change in accounting policy or announcement on format of financial statements and footnotes regarding the presentation during the current year.

a) Foreign currency

Transactions in foreign currencies are translated to TL at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to TL at the exchange rates at the reporting dates.

Non-monetary assets and liabilities denominated in foreign currencies are translated to TL with the exchange rates at the dates of transaction. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in under investing, operating and financing activities in profit or loss.

b) Financial instruments

Non-derivative financial assets

The Company initially recognizes loans and the receivables on the date they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial asset into: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables, including due from related parties.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Changes in accounting policies (continued)

Non-derivative financial liabilities

The Company initially recognises financial liabilities on the date when they are originated.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, and trade and other payables, short term liabilities and due to related parties.

c) Property, plant and equipment

The costs of tangible assets purchased before 1 January 2005 are restated for the effects of inflation current at December 31,2004 less accumulated depreciation and impairment losses. The costs of tangible assets purchased after December 31,2004 are carried at cost less accumulated depreciation and impairment losses (Note 11).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost includes the following items:

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditures

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditures will flow to the Company. Ongoing maintenance and repair expenses are recognized in profit or loss as incurred.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Changes in accounting policies (continued)

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives and is generally recomputed in profit or loss unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings and land improvements	5-50 years
Machinery and equipment	2-25 years
Furniture and fixtures	2-15 years
Leasehold improvements	5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d) Intangible assets

Intangible assets comprised acquired software rights. The costs of intangible assets purchased before 1 January 2005 are restated for the effects of inflation current at December 31, 2004 less accumulated amortization and impairment losses. The costs of intangible assets purchased after December 31, 2004 are carried at cost less accumulated amortization and impairment losses. The carrying amount of an intangible asset is reduced to its recoverable amount if there is impairment.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognized in profit or loss.

The estimated useful lives are as follows:

Rights	3-6 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Changes in accounting policies (continued)

e) Leases

Leased Assets

Assets held by the Company under leases which transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

Lease payments

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to cash paid during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability

Payments made under operating leases are recognized in profit or loss on straight-line basis over the term of the lease.

f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the monthly weighted average, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale (Note 9).

g) Provisions, contingent liabilities and contingent assets

A provision is recognized in the accompanying financial statements if as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities is disclosed in the notes to the financial statements (Note 14).

If the inflow of economic benefits is probable, contingent assets have been disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur such asset and profit or loss effect has been recognized in the financial statements at the relevant period that income change effect occurs.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Changes in accounting policies (continued)

h) Impairment of assets

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

The Company recognizes impairment for its certain receivables for which the collection of such receivables may become doubtful in nature as a result of several factors. In addition to these doubtful receivables a provision is recognized regarding receivables that are aged and not collected; in litigation or not paid balances for which a payment is requested via writing notice or filed a formal notification. Subsequent to recognition of provision a recovery these receivables in full or partially has been reversed from provision and income was recognized in profit or loss. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Changes in accounting policies (continued)

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets other than inventories and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

For assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i) Employee benefits

According to the enacted laws, the Company is liable to pay lump sum payments to its employees in case of retirement or the termination of the employment contract of the employees except for the rules stated in the labour laws. Such payments are computed according to the severance indemnity ceiling valid at the reporting date. Employee severance indemnity recognized as the present value of the estimated total reserve of the future probable obligation of the Company.

The Company makes compulsory premium payments to the Social Security Institution and does not have any other funding requirements. These premium payments are accrued at the financials as they incur.

j) Revenue

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer recover of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The Company has been using the dispatch note during the departure of the goods has been systematically issuing the sales invoices based on the dispatch notes accordingly the revenue has been recognized in profit or loss through the system utilized within the Company. Revenue is measured net of returns, trade discounts and volume rebates.

When the sales arrangement effectively constitutes a financing cost, 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 consideration is recognized as interest income on accrual basis (Note 24).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Changes in accounting policies (continued)

k) Government grants

Government grants measured at fair value including the non-cash government grants are recognized in the financial statements when there is a reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grants.

Government grants are presented on the financial statements even when they comprise cash or a deduction of liabilities to the government.

l) Finance income and expenses

Finance income is comprised interest income on time deposit. Foreign exchange gain and losses arising from financing activities are presented on a net basis. Finance expenses are comprised interest expenses of loans, factoring expenses and letter of guarantee commissions. Borrowing costs that are not directly attributable to acquisition, construction or production of qualifying assets are recognized in profit or loss.

m) Income taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year (Note 27).

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates based on the laws that have substantively enacted at the reporting date.

Deferred tax are recognized for timing differences between the financial purposes and taxation purposes, depreciation and amortization effects over property, plant and equipments and intangible assets.

Deferred tax asset and liabilities are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets when they are related to the income taxes levied by the same tax authority on the same taxable entity that intend to settle current tax liabilities and assets on a net basis or tax assets and liabilities will be realized simultaneously (Note 27).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Changes in accounting policies (continued)

n) Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held for sale, property plant and equipments and intangible assets are no longer amortized or depreciated.

o) Earnings per share

Earnings per share disclosed in the statutory profit or loss and other comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period concerned (Note 28).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustments on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

p) Subsequent events

Subsequent events represent the events that occur against or on behalf of the Company between the reporting date and the date when financial statements were authorized for the issue. At the report date, if the evidence with respect to such events or such events has occurred after the balance sheet date and such events require restating the financial statements; accordingly the Company restates the financial statements appropriately. If such events do not require restating the financial statements, such events have been disclosed in the related notes.

r) Expenses

Expenses are accounted for on an accrual basis. Operating expenses are recognized as they incur.

s) Paid-in capital and dividends

Ordinary shares are classified as paid-in capital (Note 19). Additional costs that are directly attributable to the issuance of ordinary shares are recognized as decrease in equity, net of tax. Dividends distributed on ordinary shares are offset with retained earnings in the period in which they are declared.

t) Related Parties

Subsidiaries, shareholders of the Company and companies of the shareholders, and also other companies managed by these companies or related to these companies and managers and directors of these companies are referred to as related parties according to TAS 24 – Related party disclosures (Note 4).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3 Changes in accounting policies (continued)

u) Statement Cash flows

In the cash flow statement, cash flows are classified as operating, investing and financing activities. Cash flows from operating activities represent the Company's cash flows generated from operating activities. The Company presents the cash flows from operating activities by using the indirect method such as adjusting the accruals for cash inflows and outflows from gross profit/loss, other non-cash transactions, prior and future transactions or deferrals.

Cash flows from investing activities represent the cash flows used in/provided from investing activities (capital expenditures).

Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

For purposes of the statement of cash flows, cash and cash equivalents include cash in hand, cheques in collection, bank deposits and other cash and cash equivalents less interest income accruals.

v) Changes in Accounting Estimates and Errors

Effect of changes in accounting estimates has been recognized prospectively in the current and future period of the estimate changes. Effect of accounting errors has been corrected respectively.

2.4 Use of estimates and judgments

In preparing these financial statements management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions estimates are recognized prospectively.

In preparation of the financial statements, the significant estimates and judgments used by the Company are included in the following notes:

- Note 7 Impairment losses on account receivable
- Note 9 Impairment losses on inventories
- Note 2.3c Impairment lives of property, plant and equipment and tangible assets
- Note 2.3d Useful lives of intangible assets
- Note 13 Provisions for employee benefits
- Note 13 Other short term provisions
- Note 27 Tax assets and liabilities
- Note 29 Determination of fair values

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 New and amended standards and interpretations

The accounting policies adopted in preparation of the interim financial statements as at 31 March 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on The Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. These amendments did not have an impact on the interim financial statements of the Company.

TRFS Interpretation 21 Levies

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

Amendments to TAS 36 - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. These amendments did not have an impact on the interim financial statements of the Company.

Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

Amendments to TAS 39 Financial Instruments: Recognition and Measurement, provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. These amendments did not have an impact on the interim financial statements of the Company.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 New and amended standards and interpretations (continued)

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. This amendment does not have any impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the interim financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its interim financial statements after the new standards and interpretations are issued and become effective under TFRS.

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

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The mandatory effective date of IFRS 9 has tentatively been decided as for annual periods beginning on or after 1 January 2018. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 New and amended standards and interpretations (continued)

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010 – 2012 Cycle and IFRSs – 2011 – 2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements to IFRSs – 2010 – 2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 New and amended standards and interpretations (continued)

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Company do not expect that these amendments will have significant impact on the financial position or performance of the Company.

IFRS 14 - Interim standard on regulatory deferral accounts

In January 2014, the IASB issued this standard. IFRS 14 permits first-time adopter rate regulated entities to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. Existing IFRS preparers are prohibited from adopting this Standard. The Standard will be applied on a full retrospective basis and is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Company.

NOTE 3 – SEGMENT REPORTING

Since the Company is only operating in isolation products in Turkey, segment reporting has not been presented.

NOTE 4 – RELATED PARTIES

a) Due from related parties

As of March 31, 2014 and December 31, 2013 due from related parties comprised the following:

	March 31, 2014	December 31, 2013
Saint Gobain İnovatif Malz. ve Aşındırıcı San. ve Tic. A.Ş. (**)	756.009	24.805
Saint-Gobain Isover CRIR (**)	199.219	140.893
Saint-Gobain Weber Yapı Kimyasalları Sanayi Ticaret A.Ş. (**)	100.414	66.761
Saint Gobain Recherche (**)	28.189	50.296
Saint Gobain Isover Ireland (**)	7.430	8.053
Saint-Gobain Rigips Alçı Sanayi ve Ticaret Anonim Şirketi (**)	-	116.025
Kuwait Insulating Material MFG CO.(**)	-	7.312
	1.091.261	**414.145**

b) Due to related parties

As at March 31, 2014 and December 31, 2013 due to related parties comprised the following:

	March 31, 2014	December 31, 2013
Saint Gobain Isover SA (**)	520.330	155.354
Grunzweig Hartman AG (**)	376.073	166.893
Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (**)	3.486	-
	899.889	**322.247**

c) Sales to related parties

For the period ended March 31, 2014 and March 31, 2013 significant sales transactions to related parties comprised the following:

	January 1, - March 31, 2014	January 1, - March 31, 2013
Saint Gobain İnovatif Malzemeleri ve Aşındırıcı San.Tic.A.Ş. (**)	664.390	-
Saint Gobain Weber Yapı Kimyasalları San.Tic.A.Ş. (**)	28.524	601.437
Saint Gobain Rigips Alçı Sanayi Ve Ticaret A.Ş. (**)	4.899	-
Saint Gobain Gradevinski Proizvodi D.O.O. (**)	-	68.648
Kuwait Insulating Material Mfg. Co. (**)	-	5.816
	697.813	**675.901**

(*) Parent company
(**) Companies under control of the parent

NOTE 4 – RELATED PARTIES (continued)

d) Purchases from related parties

For the period ended March 31, 2014 and March 31, 2013 purchases from related parties comprised the following:

	January 1, - March 31, 2014	January 1, - March 31, 2013
Saint Gobain İsover SA (**)	566.487	376.556
Grunzweig Hartman AG (**)	417.860	398.296
Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (**)	24.875	6.058
Saint Gobain Weber Yapı Kimyasalları San.Tic.A.Ş. (**)	-	96.351
	1.009.222	**877.261**

e) Other transactions with related parties

For period ended March 31, 2014 and March 31, 2013 other transactions with related parties comprised the following:

	January 1, - March 31,2014	January 1, - March 31, 2013
Dividends paid		
İzocam Holding (*)	28.513.178	25.193.406
Central Record Institution ("MKK")	1.697.847	1.296.665
Other (***)	-	9.929
	30.211.025	**26.500.000**

(***) Amount of 9.929 TL transferred to reimbursement to investor compensation center.

f) Remunerations to the top management

For the period ended March 31 2014 and March 31, 2013, remunerations to the top management are comprised the following:

	January 1, - March 31, 2014	January 1, - March 31, 2013
Short term benefits		
(Salaries, premiums, housing, company cars, social security, health insurance, vacation pay etc.)	478.123	409.520
Long term benefits		
(Termination indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	502.073	354.575
TOTAL	**980.196**	**764.095**

(*) Parent company
(**) Companies under control of the parent

NOTE 5 – CASH AND CASH EQUIVALENTS

As at March 31, 2014 and December 31, 2013 cash and cash equivalents comprised the following:

	March 31, 2014	**December 31, 2013**
Cash at blockage (*)	4.715.902	5.558.754
Banks	544.430	831.553
-Demand deposits	*544.430*	*831.553*
Cheques at collection (**)	437.859	347.271
	5.698.191	**6.737.558**

(*) As of March 31, 2014, cash and cash equivalents consist of cash at blockage amounting to TL 4.715.902 (2013: TL 5.558.754). TL 2.663.048 amount of consisted of cash at blockage Direct Borrowing System ("DBS") (2013: TL 2.956.233). At March 17 2010, the Company has started to use Direct Borrowing System ("DBS"), a new method of collection of receivables. In accordance with the arrangements made with various banks, instead of the Company, banks set a credit limit to customers and the collection is performed by the bank. Following the collection, the bank retains the payments received at blockage for one day. As at March 31, 2014 TL 2.052.854 of cash blockage amount mainly comprised of the credit card receivables with a maturity less than 3 months. (2013: 2.602.521).

(**) Cheques in collection are composed of the cheques which have not been transferred to the company's bank deposits accounts as at March 31, 2014 with a maturity date less than 30 days or before March 31, 2014.

As at March 31 2014 and December 31 2014, demand deposits comprised the following currencies;

	March 31, 2014	**December 31, 2013**
TL	544.430	84.548
United States Dollar ("USD")	-	747.005
	544.430	**831.553**

For purposes of the statement of cash flows, cash and cash equivalents include bank deposits and short-term investments that are easily convertible to cash with high liquidity and with a maturity of up to three months. Cash and cash equivalents included in the statement of cash flows for the period ended March 31, 2014 and March 31, 2013 are comprised the followings:

	January 1, - March 31, 2014	**January 1, - March 31, 2013**
Other cash equivalents	4.715.902	786.851
Banks	544.430	1.481.144
Demand deposit	*544.430*	*1.481.144*
Cheques at collection	437.859	-
Less: Cash at blockage	(4.715.902)	(766.281)
	982.289	**1.501.714**

NOTE 6 – FINANCIAL LIABILITIES

As at March 31, 2014 and December 31, 2013 bank borrowings comprised the followings:

	March 31, 2014	December 31, 2013
Bank borrowings	**13.003.075**	**17.812.552**
TL	*13.003.075*	*17.812.552*
Factoring loans (*)	**4.631.932**	**4.209.533**
USD	*3.857.768*	*3.389.418*
European Union Currency Unit ("Euro")	*774.164*	*820.115*
	17.635.007	**22.022.085**

(*) Factoring loan agreements are performed as revocable by which the Company undertakes the collection risk and related receivables are shown in gross on the statement of financial condition.

NOTE 7 – ACCOUNTS RECEIVABLE AND PAYABLE

a) Trade receivable

As at March 31, 2014, and December 31, 2013 short-term trade receivables comprised the followings:

	March 31, 2014	December 31, 2013
Accounts receivable	83.021.204	74.396.789
Notes receivable	13.354.515	12.670.329
Doubtful receivables	803.352	856.711
Less: Allowance for doubtful receivables	(803.352)	(856.711)
	96.375.719	**87.067.118**

As at March 31, 2014, TL 1.091.261 of accounts receivable comprised due from related parties (December 31, 2013: TL 414.145) in which detailed presentation is disclosed in Note 4.

Average collection period of trade receivables is 86 days (December 31, 2013: 87 days) which may change according to the type of the product and the terms of the agreement with the customer.

As at March 31, 2014 and December 31, 2013 maturity profiles of cheques and notes receivables are as follows:

	March 31, 2014	December 31, 2013
0 - 30 days	4.834.062	4.778.059
31 - 60 days	2.871.377	4.168.788
61- 90 days	2.232.561	2.495.477
91 days and over	3.416.515	1.228.005
Total	**13.354.515**	**12.670.329**

NOTE 7 – ACCOUNTS RECEIVABLE AND PAYABLE (continued)

For the period ended, March 31,2014 and December 31, 2013 the movement of allowance for doubtful receivables comprised the followings:

	March 31, 2014	December 31, 2013
Beginning balance	856.711	895.847
Provision for the year	11.676	5.679
Write offs	(65.035)	(64.443)
Period end	**803.352**	**837.083**

b) Trade payables

As at March 31, 2014, trade payables amount to TL 24.418.878 (December 31, 2013: TL 23.208.306) arising from accounts payable to various suppliers and average payment term is 34 days. (December 31, 2013: 33 days).

As at March 31, 2014, TL 899.889 of trade payables comprised due to related parties (December 31, 2013: TL 322.247) for which detailed presentation is disclosed in Note 4.

NOTE 8 – OTHER TRADE RECEIVABLES AND PAYABLES

a) Other receivables

As at March 31, 2014, short-term and long-term receivables comprised deposits given amounting to TL 2.782 and TL 13.376 respectively. (December 31, 2013: TL 0 and TL 17.241).

b) Other payables

As at March 31, 2014, short-term other payables amounting to TL 14.870 (December 31, 2013: 5.540 TL) comprised of other miscellaneous payables.

NOTE 9 – INVENTORIES

As at March 31 2014, and December 31, 2013 inventories comprised the following:

	March 31, 2014	December 31, 2013
Raw materials and supplies	25.828.555	15.093.482
Finished goods	11.871.980	7.686.932
Trading goods	761.493	449.748
	38.462.028	**23.230.162**

As at March 31, 2014 and December 31, 2013 inventories are accounted at cost and none of the inventories were recognized at its net realizable value.

NOTE 10 – ASSETS HELD FOR SALE

As at March 31, 2014, and December 31, 2013 assets held for sale the following:

	March 31, 2014	December 31, 2013
Tangible assets	-	1.995.421
Total	**-**	**1.995.421**

As of December 31, 2013, the Company management received a valuation report for factory building, administrative building and land for Tekiz Facilities and these were presented as non-current assets classified as held for sale. TL 237.103 land, TL 66.805 of land improvements and TL 1.691.513 of buildings from these assets held for sale was sold on January 16, 2014 for a total consideration of USD 21.1 million (equals to 46.232.210 TL) in cash.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

For the period ended March 31, 2014 movement in the property, plant and equipment comprised the following:

	January 1, 2014	Additions	Disposals	Transfers	March 31, 2014
Cost					
Land	6.004.308	-	-	-	6.004.308
Land improvements	4.470.650	-	-	-	4.470.650
Buildings	55.022.693	-	-	-	55.022.693
Machinery and equipment	196.109.202	1.898.598	-	-	198.007.800
Furniture and fixtures	6.812.140	534.650	-	-	7.346.790
Leasehold improvements	1.097.815	1.477	-	-	1.099.292
Construction in progress	1.470.697	171.215	-	-	1.641.912
Total Cost	**270.987.505**	**2.605.940**	**-**		**273.593.445**
Less: Accumulated depreciation					
Land improvements	(3.002.978)	(30.297)	-	-	(3.033.275)
Buildings	(18.416.725)	(333.909)	-	-	(18.750.634)
Machinery and equipment	(150.743.225)	(2.532.357)	-	-	(153.275.582)
Furniture and fixtures	(5.934.649)	(69.273)	-	-	(6.003.922)
Leasehold improvements	(73.530)	(27.333)	-	-	(100.863)
Total accumulated depreciation	**(178.171.107)**	**(2.993.169)**	**-**	**-**	**(181.164.276)**
Net book value	**92.816.398**				**92.429.169**

For the period ended March 31, 2014, depreciation expenses amounting to TL 2.019.099 (March 31, 2013: TL 1.668.717) has been recognized under cost of sales, TL 66.503 (March 31,2013: TL 38.681) has been included under administrative expenses and TL 907.567 (March 31,2013: TL.995.549) has been capitalized on stocks.

As of March 31, 2014 and December 31, 2013, there are no assets pledged as collateral.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (continued)

As at March 31, 2014 and December 31, 2013, the amount of tangible assets with zero net book value which are still in use and kept in the accounting records is TL 128.453.699 (December 31, 2013: TL 128.287.754).

	January 1, 2013	Additions	Disposals	Transfers	March 31, 2013
Cost					
Land	6.241.411	-	-	-	6.241.411
Land improvements	4.627.353	-	-	-	4.627.353
Buildings	59.768.672	-	-	-	59.768.672
Machinery and equipment	194.060.888	-	-	119.635	194.180.523
Furniture and fixtures	7.171.296	970	(8.599)	-	7.163.667
Leasehold improvements	72.875	-	-	-	72.875
Construction in progress	2.809.129	1.019.086	-	(119.635)	3.708.580
Total Cost	**274.751.624**	**1.020.056**	**(8.599)**	**-**	**275.763.081**
Less: Accumulated depreciation					
Land improvements	(2.968.346)	(31.933)	-	-	(3.000.279)
Buildings	(21.892.222)	(368.170)	-	-	(22.260.392)
Machinery and equipment	(152.503.556)	(2.231.246)	-	-	(154.734.802)
Furniture and fixtures	(6.412.243)	(69.927)	8.599	-	(6.473.571)
Leasehold improvements	(58.310)	(1.671)	-	-	(59.981)
				-	
Total accumulated depreciation	**(183.834.677)**	**(2.702.947)**	**8.599**	**-**	**(186.529.025)**
Net book value	**90.916.947**			**-**	**89.234.056**

NOTE 12 – INTANGIBLE ASSETS

For the period ended March 31, 2014 movement in the intangible assets comprised the following:

	January 1, 2014	Additions	March 31, 2014
Cost			
Software rights	848.933	-	848.934
Total Cost	**848.933**	**-**	**848.934**
Less: Accumulated amortization			
Software rights	(779.707)	(11.345)	(791.052)
Total accumulated amortization	**(779.707)**	**(11.345)**	**(791.052)**
Net book value	**69.226**		**57.882**

NOTE 12 – INTANGIBLE ASSETS (continued)

As at December 31, 2013, movement in the intangible assets comprised the following:

	January 1, 2013	Additions	December 31, 2013
Cost			
Software rights	798.212	-	798.212
	798.212	**-**	**798.212**
Less: Accumulated amortization			
Software rights	(747.586)	(8.064)	(755.650)
Total accumulated amortization	**(747.586)**	**(8.064)**	(755.650)
Net book value	**50.626**		**42.562**

At March 31, 2014, amortization expenses amounting to TL 11.345 (December 31, 2013: TL 8.064) have been included in administrative expenses. As at March 31, 2014 and December 31, 2013, the amount of intangible assets with zero net book value which are still in use and kept in the accounting records is TL 721.020 (December 31, 2013: TL 708.674).

NOTE 13 – PROVISIONS

a) Short term provisions for employee benefits

At March 31, 2014 and December 31, 2013 short term provisions for employee benefits the following:

	March 31, 2014	December 31, 2013
Provisions for bonuses	832.919	2.171.102
Total	**832.919**	**2.171.102**

b) Other short term provisions

At March 31, 2014, and December 31, 2013 other short-term provisions comprised the following:

	March 31, 2014	December 31,2013
Miscellaneous expense provisions	120.028	73.919
Provisions for litigation	25.872	25.872
Total	**145.900**	**99.791**

NOTE 13 – PROVISIONS (continued)

For period ended March 31, 2014 the movement of other short term provisions is as follows:

	January, 1 2014	Additions	Payments	Reversal	March 31, 2014
Provisions for personnel premium (*)	2.171.102	844.435	(2.182.618)	-	832.919
Miscellaneous provisions for expenses (**)	73.919	46.109	-	-	120.028
Provisions for litigation	25.872	-	-	-	25.872
	2.270.893	**890.544**	**(2.182.618)**	**-**	**978.819**

For period ended March 31, 2013 the movement of provisions is as follows:

	January 1, 2013	Additions	Payments	Reversal	March 31, 2013
Provisions for personnel premium (*)	2.199.286	652.783	(2.199.286)	-	652.783
Miscellaneous provisions for expenses (**)	223.394	-	(77.844)	(39.276)	106.274
Provisions for litigations	25.872	-	-	-	25.872
	2.448.552	**652.783**	**(2.277.130)**	**(39.276)**	**784.929**

(*) Provisions for employee bonuses are the amount that determined according to decision over performance criteria by İzocam's Board of Directors.
(**) Miscellaneous provisions are comprised of DBS provisions.

c) Long term provision for employee benefits

For period ended March 31,2014. Provision for employee benefits the movement is as follows:

	March 31, 2014	December 31, 2013
Provision for severance payments	6.667.515	6.205.879
Provision for unused vacation pay liability	2.711.308	2.354.644
Total	**9.378.823**	**8.560.523**

Provision for employee severance indemnity has been set as follows:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to the length of service prior to retirement.

The severance pay is calculated as one month gross salary for every employment year and as at March 31, 2014 the ceiling amount has been limited to TL 3.428,22 (December 31, 2013: TL 3.254,44).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

NOTE 13 – PROVISIONS (continued)

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

The Company's accounting policies requires the Company to use various statistical methods to determine the employee severance indemnity. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees and reflected in the financial statements. Accordingly, the following statistical assumptions were used in the calculation of the total liability:

	March 31, 2014	December 31, 2013
Discount rate %	3,50	3,50
Turnover rate to estimate the probability of retirement %		
- Age range 18 - 24	12,16	12,00
- Age range 25 – 29	7,55	7,00
- Age range 30 – 39	3,16	3,00
- Age range 40 – 44	1,34	1,00
- Age range 45 – 49	1,35	1,00
- Age range 50 – 69	1,00	1,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The movement of employee severance indemnity is as follows:

	March 31, 2014	March 31, 2013
Opening balance	6.205.879	6.059.796
Interest cost	150.493	105.418
Cost of services	125.799	209.526
Payments made during the period	(180.895)	(180.609)
Actuarial loss	366.239	-
	6.667.515	**6.194.131**

Actuarial losses arise from the changes in interest rates and changes in expectations about the salary increases. In addition to that, the number of employees that receive their indemnity before retirement increased the difference. For the period ended March 31, 2014 interest cost portion is recognized as finance expense whereas cost of services are recognized as general administrative expenses and actuarial losses are recognized in other comprehensive income.

The movement of vacation pay liability during the period is as follows:

	March 31, 2014	March 31, 2013
Opening balance	2.354.644	1.629.797
Additional provision during the period	372.454	276.031
Reversal	(15.890)	(17.242)
	2.711.208	**1.888.586**

NOTE 14 – COMMITMENTS

According to the decision of CMB on 29 December 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party's debts. The commitments given; for companies other than publicly owned associations and financial institutions;

i) For their own corporate identities
ii) In favor of fully consolidated associations
iii) In favor of 3rd parties to continue their operations will not be limited.

After the decision is published at the Platform of Public Enlightenment, publicly owned companies will not give commitments to real people or corporations other than mentioned at the bullets (i) and (ii) above or to third parties other than mentioned at the bullet (iii). If any commitments have already been given it will be reduced to until December 31, 2014.

As at March 31, 2014 and December 31, 2013 commitments given are as follows:

	March 31, 2014	**December 31, 2013**
A. Commitments given in the name of own legal Entity	15.672.245	12.901.417
B. Commitments given in favor of full consolidated Subsidiaries	-	-
C. Commitments given to guarantee the debts of third parties to	-	-
continue their operations	-	-
D. Other commitments given;	-	-
- in favor of parent company	-	-
-in favor of group companies other than mentioned in bullets B and C	-	-
- in favor of third parties other than mentioned in bullets C	-	-
Total	**15.672.245**	**12.901.417**

As of March 31, 2014 and December 31, 2013 the Company has letter of guarantees obtained from banks and given to Custom Offices, foreign and domestic suppliers and to banks and notes given as collaterals. Ratio of guarantees given by the Company to its equity as at March 31, 2014 is 9,7%. (December 31, 2013: 8,7%).

As of December 31,2013 non-cancellable operating lease rentals payable are as follows:

	March 31, 2014	**December 31, 2013**
1st year	674.816	658.951
2nd year	597.902	658.951
3rd year	-	89.637
	1.272.718	**1.407.539**

As at March 31, 2014, loan limits and terms to maturities have been determined by associate banks to the customers who have been included in DBS system. The Company has accepted that it has right to recall the loans which have been granted to customers that who have not been performing regular loan repayment and customers who have been regularly making payment at a level of credit limit for the 30 days period. The Company has accepted that if the loans in question are not closed within the specified period, the Company accepted that the Banks have right to engage legal proceedings for related customer.

NOT 15 – EMPLOYEE BENEFIT OBLIGATIONS

As at March 31, 2014 and December 31, 2013 employee benefits comprised the following:

	March 31, 2014	December 31, 2013
Withholding taxes and duties	490.627	482.127
Social security premium payable	317.510	1.569.316
Individual pension plan contribution payable	118.996	106.452
Due to personnel	-	10.034
Total	**927.133**	**2.167.929**

NOTE 16 – PREPAID EXPENSES

As at March 31, 2014 and December 31, 2013 short term prepaid expenses comprised the following:

	March 31, 2014	December 31, 2013
Prepaid expenses (*)	1.139.292	104.353
Advances given for inventory	148.291	1.350.263
	1.287.583	**1.454.616**

As at March 31, 2014 and December 31, 2013 long term prepaid expenses comprised the following:

	March 31, 2014	December 31, 2013
Advances given for fixed assets (**)	496.223	42.462
	496.223	**42.462**

(*) As of March 31, 2014 prepaid expenses are consist of retailer and fair expenses, insurance and office rent expenses.

(**) As of March 31, 2014 advances given, consist of fixed asset advances for various investments.

NOTE 17 – DEFERRED INCOME

As at March 31, 2014 and December 31, 2013 deferred income is comprised the following:

	March 31, 2014	December 31, 2013
Advances Taken	10.933.732	4.910.216
	10.933.732	**4.910.216**

NOTE 18 – OTHER ASSET AND LIABILITIES

a) Other current assets

As at March 31, 2014 and December 31, 2013 other current assets are comprised the following:

	March 31, 2014	December 31, 2013
Value Added Taxes ("VAT") to be transferred	2.404.382	809.618
Taxes and duties receivable	521.496	370.733
VAT receivable on exports	418.473	177.454
Other	78.881	229.261
	3.423.232	**1.587.066**

b) Other current liabilities

As at March 31, 2014 and December 31, 2013 other current liabilities comprised the following:

	March 31, 2014	December 31, 2013
VAT payables as responsible party	657.024	291.626
VAT payables as taxpayer	-	872.165
Other	40.974	7.497
	697.998	**1.171.288**

NOTE 19 – EQUITY

a) Paid-in Capital / Inflation Adjustment on Capital

As at March 31, 2014, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (December 31,2013: 2.453.414.335 shares) of kr 1 each, There are no privileges rights provided to different shareholder groups or individuals. The shareholder structure of the Company is as follows:

	March 31, 2014		December 31, 2013	
	Shares	Ownership interest %	Shares	Ownership interest %
İzocam Holding	15.004.304	61,16	15.004.304	61,16
İzocam Holding (Publicly traded)	8.320.173	33,91	8.320.173	33,91
Other (Publicly traded)	1.209.666	4,93	1.209.666	4,93
	24.534.143	**100,00**	**24.534.143**	**100.00**
Adjustment on Capital	25.856.460		25.856.460	
	50.390.603		**50.390.603**	

NOTE 19 – EQUITY (continued)

Adjustment represents the impact of cash additions into paid-in capital due to the change in the purchasing power of TL compared to December 31, 2004.

Registered capital information: The Company acknowledged registered capital system under the provisions of Law No. 2499 and adopted the system with the permit of CMB dated 28 September 1984 numbered 291. Authorized capital of the Company is TL 60.000.000 TL. Paid-up capital of the Company is TL 24.534.143,35. During 2014, there was no capital increase made by the Company.

b) Share Premiums / Restricted Reserves

Equity items of paid-in capital, share premiums, and legal reserves and special reserves under restricted reserves should be presented at their nominal amounts, Accordingly the inflation adjustments provided for within the framework of TFRS, for paid-in capital has been presented under inflation adjustment on capital, whereas for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings, Other equity items have been presented at TFRS values.

Equity items are presented at their nominal values in the financial statements. Inflation effect on these equity items are as follows:

March 31, 2014	**Nominal value**	**Inflation adjustment**	**Restated values**
Share premiums	1.092	223.408	224.500
Restricted reserves	35.730.705	23.641.953	59.372.658
Legal reserves	35.730.659	*18.710.928*	54.441.587
Special reserves (*)	46	*4.931.025*	4.931.071
Extraordinary reserves	10.095.740	(1.496.872)	8.598.868
	45.827.537	**22.368.489**	**68.196.026**

December 31, 2013	**Nominal value**	**Inflation adjustment**	**Restated Values**
Share premiums	1.092	223.408	224.500
Restricted reserves	32.510.223	23.641.953	56.152.176
Legal reserves	*32.510.177*	*18.710.928*	*54.221.105*
Special reserves (*)	*46*	*4.931.025*	*4.931.071*
Extraordinary reserves	16.507.941	(1.496.872)	15.011.069
	49.019.256	**22.368.489**	**71.387.745**

(*) The Company used investment allowance before the year 1980 and according to a legal obligation recorded this amount as special reserves.

Extraordinary reserves have been presented under retained earnings.

Share premiums represent the cash inflows generated from the sale of shares at their market values. Those premiums are followed under equity and cannot be distributed. However, those premiums can be used in share capital increases in the forthcoming years.

NOTE 19 – EQUITY (continued)

c) Dividend Distribution

Dividend Comminuqué No. II-19.1, dated 23 January 2014 and prepared in accordance with Capital Market Law No. 6362 published on Official Gazette No. 28513 with an effective date of 30 December 2012, was published on Official Gazzette No. 28891 and it was stated that the comminuqué will be effective 1 February 2014.

Per Dividend Comminuqué No. II-19.1 prepared based on Articles 19 and 20 of Law no. 6362;

- Corporations will distribute their profits based on dividend distribution policies and through general assembly decision in adherence with provisions of respective laws and regulations and minimum requirements for dividend distribution policy were determined.
- Dividends will be distributed to all shareholders pro-rata based on the ownership percentage as of distribution date regardless of issuance and purchase date.
- Aside from determination of the date for dividend distribution, payment period was not restricted based on the fact that dividend distribution date shall be included in distribution policy under the condition of commencement at the end of annual period dureing which the General Assembly for latest distribution decision was made.
- Under the condition of decision at General Assembly, dividends may be paid in installments, methods and principles were determined for payment of dividends via installment under this context.
- If there is no specific raito was determined for distribution, although an article exists within articles of incorporation for the priviliged shareholders, bonus share holders, board members, employees and individuals other than shareholders; dividend amounts can not exceed one fourth of dividends paid to shareholders.
- It was decided that there has to be a specific provision in the articles of association for donations by corporations, the donation limits shall be determined by general assembly and CMB is authorized to impose maximum limits on donation amounts.
- New principles were determined regarding the calculation of advance dividend amounts to be distributed based on interim financial statements by publicly traded corporations.
- In case of decision by corporations for the distribution of at least 25 percent of net distributable period income as cash dividends, a discount of 25 percent shall be applied on registration fees regarding share issuances to be made within one year upon approval by general assembly.

Under the circumstances stated above;

- Corporations will distribute their profits based on dividend distribution policies and through general assembly decision in adherence with provisions of respective laws and regulations. Regarding profit distribution policy, corporations under the influence of CMB could adopt different bases for distribution.
- Corporations shall include the following at a minimum in their distribution policies:
    - Decision on whether any dividends will be distributed and dividend distribution rate for shareholders and other stakeholders if distributed,
    - Payment method of the dividend,
    - Timing of the dividend payment under the condition that the distribution process will begin at the latest of the period end date of the annual period that the general assembly is met.
- In case of a request for change in dividend distribution policy, the basis and the related board resolution for the change are announced publicly in accordance with the provisions of material disclosures of CMB.

NOTE 19 – EQUITY (continued)

Based on the statements above, principles of dividend distribution are as follows;

- Dividend is distributed on pro-rata basis to all of the existing shares without considering the issuance or purchase date on the date of distribution. All rights related to preferrred dividends are reserved.
- Dividend may be paid in equal or different amount of installments subject to decision made at general assembly meeting for distribution. Matters below are followed for the distribution of dividends in installments:
  - ➢ Number of installments is determined by the general assembly or board of directors upon explicit delegation by the general assembly.
  - ➢ If the number of installments is not determined by the general assembly resolution; payment dates determined by the board of directors are announced publicly within fifteen days under the provisions of CMB's material disclosure regulations.
  - ➢ Installment payments are made pro-rata to all of the existing shares without considering the issuance or purchase date.
  - ➢ Dividend amounts to be distributed by the General assembly to the individuals other than shareholders are paid out under same basis and principals, and proportionally with the installment payments to be paid to the shareholders.
- Allocation of additional reserves, carry forward of profits and distribution of dividends to bonus share holders, board members, employees and individuals other than shareholders are not permitted if legal reserves are not set up in accordance with TCC provisions; dividends are not properly allocated among the shareholders based on articles of incorporation or dividend distribution policy and shareholders does not receive their entitled dividend amounts in cash. Provisions of second clause of the article and first and third clauses of TCC Article Number. 348 are reserved.
- Certain provision is required to be included in the corporation's article of incorporation in order to distribute dividends to preferred share holders, bonus share holders, board members, employees and individuals other than shareholders. If there is no distribution rate determined even such provisions exist in the articles of incorporation, distribution amounts to these individuals may not exceed one fourth of the dividends distributed to the shareholders except preferred shares.
- CMB's regulations related to right of dividend for bonus share certificate holders and allocation of dividends to bonds are reserved.

As at March 31, 2014 and December 31, 2013 according to the matters above the equity accounts of the Company:

	March 31, 2014	**December 31, 2013**
Paid-in capital	24.534.143	24.534.143
Inflation adjustment on capital	25.856.460	25.856.460
Share premium	1.092	1.092
Restricted reserves		
Legal reserves	*26.097.378*	*32.510.179*
Special reserves	*46*	*46*
Inflation adjustment on legal reserves	18.710.928	18.710.928
Extraordinary reserves	17.421.740	14.493.651
Inflation adjustment differences	4.931.025	4.931.025
Inflation adjustment on share premium	223.408	223.408
Net Profit	43.935.775	27.019.305
Total Equity	**161.711.995**	**148.280.237**

In the ordinary general assembly held on 21 March 2014, it has been decided to distribute dividend amounting to TL 23.798.178 through net profit for the year ended December 31, 2013 amounting to TL 30.211.025 as cash dividends, TL 9.633.326 is transferred from extraordinary reserves and TL 3.220.479 will be transferred to second legal reserves.

NOTE 20 – REVENUE AND COST OF SALES

For the periods ended March 31, revenue and cost of sales comprised the following:

	January 1, - March 31, 2014	January 1, - March 31, 2013
Domestic sales	68.349.354	66.166.531
Export sales	17.245.516	13.125.298
Other	2.748.256	101.657
Gross sales	**88.343.126**	**79.393.486**
Less: Sales returns and discounts	(4.462.100)	(4.490.570)
Net sales	**83.881.026**	**74.902.916**
Less: Cost of sales	(61.208.671)	(55.762.363)
Gross profit	**22.672.355**	**19.140.553**

For the periods ended March 31, the nature of the cost of sales comprised the following:

	January 1, - March 31, 2014	January 1, - March 31, 2013
Raw materials and consumables	59.124.935	54.240.470
Personnel	4.561.429	4.252.989
Depreciation	2.019.099	1.668.717
Changes in inventory	(4.496.792)	(4.399.813)
Cost of Sales	**61.208.671**	**55.762.363**

NOTE 21 – MARKETING, SALES AND DISTRIBUTION EXPENSES

For the periods ended March 31, marketing expenses comprised the following:

	January 1, - March 31, 2014	January 1, - March 31, 2013
Freight insurance	(4.343.208)	(4.158.591)
Personnel	(1.796.477)	(1.619.586)
Licenses	(935.920)	(980.111)
Advertisement	(685.200)	(687.060)
Storage	(590.526)	(482.929)
Dealer and authorized service	(318.600)	(300.276)
Transportation	(178.848)	(204.504)
Collateral	(165.438)	(128.854)
Sales commissions	(165.251)	(200.198)
Exhibition and fair	(116.700)	(95.160)
Travel	(104.124)	(67.921)
Rent	(42.870)	(39.719)
Public relations and events	(39.209)	(30.251)
Other	(187.624)	(107.912)
	(9.669.995)	**(9.103.522)**

NOTE 22 – ADMINISTRATIVE EXPENSES

For the periods ended March 31, 2014 and 2013,, administrative expenses comprised the following:

	January 1, - March 31, 2014	**January 1, - March 31, 2013**
Personnel	(2.044.002)	(2.190.826)
Information technology	(153.006)	(105.457)
Transportation	(102.605)	(106.897)
Subscription	(88.216)	(37.091)
Depreciation and amortization	(77.848)	(46.745)
Consultancy	(65.123)	(90.426)
Representation	(59.373)	(38.323)
Telecommunication	(56.046)	(59.682)
Repair, maintenance and energy	(51.607)	(46.851)
Duties, taxes and levies	(38.886)	(25.945)
Travel	(29.184)	(12.935)
Insurance expenses	(25.108)	(25.922)
Stationary Expenses	(23.533)	(23.851)
Legal	(23.490)	(11.186)
General Assembly	(14.684)	(65.092)
Donations	(11.400)	(10.400)
Other	(192.366)	(170.306)
	(3.056.477)	**(3.067.935)**

NOTE 23 – EXPENSES BY NATURE

For the periods ended March 31, nature of expenses is disclosed in Notes 20, 21 and 22.

Expenses by nature for the period ended March 31, 2014 and 2013 comprise the following:

	January 1, - March 31, 2014	**January 1, - March 31, 2013**
Salaries	8.401.908	8.063.401
Depreciation and amortization	2.096.947	1.715.462
	10.498.855	**9.778.863**

NOTE 24 – OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

For the periods ended March 31, 2014 and 2013 other operating income comprised the following:

	January 1, - March 31, 2014	January 1, - March 31, 2013
Interest income on credit sale	1.196.679	727.586
Foreign exchange gains on operations	225.444	-
Recoveries of bad debt provisions	65.035	64.443
Collections from insurance contracts	21.256	7.203
Other income	-	460.249
	1.508.414	**1.259.481**

b) Other operating expense

For the periods ended March 31, 2014 and 2013, other operating expense comprised the following:

	January 1, - March 31, 2014	January 1, - March 31, 2013
Provision for doubtful receivables	(11.676)	(5.678)
Foreign exchange losses on operations	-	(98.035)
Other	-	(13.361)
	(11.676)	**(117.074)**

NOTE 25 – INCOME/EXPENSE FROM INVESTMENT ACTIVITIES

For the periods ended March 31, 2014 and 2013, investment income/expense comprised the following:

	January 1, - March 31, 2014	January 1, - March 31, 2013
Gain on sale of assets held for sale	42.916.456	-
	42.916.456	**-**

Administration and factory buildings and land of Tekiz facilities were sold on 16 January 2014 for a total consideration of USD 21.1 million (equals to 46.232.210 TL). After deducting miscellaneous expenses related with sales transactions amounting to TL 1.320.333, the Company realized gain from this sale in amount of TL 42.916.456.

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NOTE 26 – FINANCE INCOME AND EXPENSES

a) Finance income

For the periods ended March 31, 2014 and 2013, finance income comprised the following:

	January 1, - March 31, 2014	January 1, - March 31, 2013
Foreign exchange gains	771.157	-
Interest income on time deposits	345.444	8.124
	1.116.601	**8.124**

b) Finance expenses

For the periods ended March 31, 2014 and 2013, finance costs comprised the following:

	January 1, - March 31, 2014	January 1, - March 31, 2013
Interest expense on borrowings	(385.210)	(378.479)
Interest cost on defined benefit plan	(150.493)	(105.418)
Foreign exchange losses	-	(859)
	(535.703)	**(484.756)**

NOTE 27 – INCOME TAX

In accordance with Article No, 32 of the new Corporate Tax Law No, 5520 published in the Official Gazette No, 26205 dated 21 June 2006, corporate tax rate is reduced from 30 percent to 20 percent. Accordingly, effective from 1 January 2006, statutory income is subject to corporate tax at 20 percent.

As per the decision no,2006/10731 of the Council of Ministers published in the Official Gazette no,26237 dated 23 July 2006, certain duty rates included in the articles no,15 and 30 of the new Corporate Tax Law no,5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, increased from 10 percent to 15 percent.

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007.

If the tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

NOTE 27 – INCOME TAX (continued)

Corporations are required to pay advance corporation tax quarterly at the rate of 20 percent on their corporate income. Advance tax is declared by the 10th of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Tax payments that are made in advance during the year are being deducted from the total final tax liability of the fiscal year. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns on the fifteenth date of the four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filling during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

a) Current period deferred tax assets and liabilities

As at March 31, 2014 and December 31, 2013 total tax liability comprised the following:

	March 31, 2014	**December 31, 2013**
Corporate tax provision	17.424.618	*6.527.015*
Prepaid taxes	(6.527.016)	(4.726.203)
Current tax liability	**10.897.602**	**1.800.812**
Deferred tax liability	666.705	633.355
Total tax liability	**11.564.307**	**2.434.167**

b) Tax expense

Tax recognized in profit or loss

For the periods ended March 31, 2014 and 2013, taxation charge in the profit or loss comprised the following:

	January 1, - March 31, 2014	**January 1, - March 31, 2013**
Current tax expense	(10.897.602)	(1.550.771)
Deferred tax expense	(106.598)	16.204
	(11.004.200)	**(1.534.567)**

NOTE 27 – INCOME TAX (continued)

The reported taxation charge for the periods ended March 31,2014 is different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	January 1, - March 31, 2014		January 1, - March 31, 2013	
		%		%
Profit before tax	54.939.973		7.634.871	
Tax rate %	20		20	
Taxes on reported profit per statutory tax	**(10.987.995)**	**(20,00)**	**(1.526.974)**	**(20.00)**
Disallowable expenses	(16.203)	(0,00)	(7.593)	(0,10)
Tax provision	**(11.004.198)**	**(20,00)**	**(1.534.567)**	**(20,10)**

Taxes recognized in other comprehensive income

	January 1, - March 31, 2014	January 1, - March 31, 2013
Tax effect of re-measurement loss on defined benefit plans	73.247	-
Tax income recognized in other comprehensive income	**73.247**	**-**

c) Deferred tax assets and liabilities

Deferred tax liabilities and assets are provided on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities and assets are recognized in the financial statements from the enacted or substantially enacted tax rates to the extent that the temporary differences in the subsequent years will be reversed.

The Company recognizes deferred tax assets in the financial statements by taking into consideration the factors such as the developments in the sector that the Company is operating, taxable income in the forthcoming years. Turkey's general economic and political situation, and/or global economic and political situations. The Company expects to generate taxable income in the forthcoming years and considers Turkey's economic and political situation shows clear positive developments. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in the forthcoming years under the balance sheet method using a principal tax rate of 20 % (December 31, 2013: 20 %).

NOTE 27 – INCOME TAX (continued)

Deferred tax assets and deferred tax liabilities at December 31, were attributable to the items detailed in the table below:

	31 March 2014	
	Temporary Accumulated Differences	**Deferred Tax Assets/(Liabilities)**
Employee severance indemnity	6.667.515	1.333.503
Vacation pay liability	2.711.208	542.261
Unrecognized interest expense	618.421	123.684
Effect of amortization and depreciation of tangible and intangible assets	(12.449.074)	(2.489.815)
Other	(881.596)	(176.338)
Deferred tax asset/(liability), net		**(666.705)**

	31 December 2013	
	Temporary Accumulated Differences	**Deferred Tax Assets/(Liabilities)**
Employee severance indemnity	6.205.879	1.241.176
Vacation pay liability	2.354.644	470.929
Unrecognized interest expense	366.533	73.307
Effect of amortization and depreciation of tangible and intangible assets	(10.955.157)	(2.191.031)
Other	(1.138.680)	(227.736)
Deferred tax asset/(liability), net		**(633.355)**

As at March 31, 2014 and December 31, 2013, the movement of deferred tax liabilities is as follows:

	January 1, 2013	**Other comprehensive income**	**Profit or loss**	**December 31, 2013**	**Other comprehensive income**	**Profit or loss**	**March 31, 2014**
Employee severance indemnity	1.211.959	129.353	(100.136)	1.241.176	73.247	19.080	1.333.503
Vacation pay liability	325.959	-	144.970	470.929	-	71.332	542.261
Unrecognized interest expense	52.439	-	20.868	73.307	-	50.377	123.684
Effect of amortization and depreciation of tangible and intangible assets	(1.755.677)	-	(435.354)	(2.191.031)	-	(298.784)	(2.489.815)
Other	(156.808)	-	(70.928)	(227.736)	-	51.397	(176.338)
Net book value	**(322.128)**	**129.353**	**(440.580)**	**(633.355)**	**73.247**	**(106.598)**	**(666.705)**

NOTE 28 – EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the year ended March 31, 2014 amounting to TL 43.642.783 (December 31, 2013: TL 26.501.889) to the weighted average of the shares during these periods,

	March 31, 2014	**December 31, 2013**
Earnings per share		
Net Profit	43.935.775	6.100.304
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335
Basic Earnings per share (Kr per share)	**0,01791**	**0,00249**
Diluted Earnings per share (Kr per share)	**0,01791**	**0,00249**

NOTE 29 –- NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

a) Financial risk management

The Company has exposure to the following risks from its operations:
- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

In accordance with the Article 378 of TCC or the publicly traded companies the Board of Directors are obliged to set up an expert committee in order to identify, develop and update systems, manage and put actions against those risks which can affect existency development end continuance of the Company. Accordingly, the Company set up the relevant committee on 2 April 2013, comprise of three members. This committee, within the current period, has one meeting on 19 March 2014 and the report prepared by this committee had been presented to the Board of Directors of the Company.

NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

a) Financial risk management (continued)

In this context, the following company procedures and internal control issues have been identified:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party.

These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party. The management of the Company covers these risks by limiting the average risk for counter party (except related parties) in all contracts and receiving guarantees if necessary. The Company works through agency system within Turkey to a great extent. The Company minimizes the collection risk by the guarantee letters taken from agencies, liens and commitment notes received before the sale and controls the orders of agencies out of guarantee by comparing these guarantees received from the agencies with their receivables. Additionally, the Company guarantees its receivables through direct borrowing system by the agreements of various banks. The Company is exposed to credit risk amounting to TL 8.120.698 (December 31,2013: TL 7.853.166) which is not covered by collaterals and DBS guarantees.

Provisions made for doubtful receivables are within reasonable borders based on the past experiences of the Company in collection of accounts receivable. Therefore, the management does not foresee any additional risk relating to accounts receivable more than provisions made. Provisions are observed to be within expected thresholds based on historical trends of collection of its trade receivables. Therefore, management does not foresee any additional risk related to the Company's trade receivables other than provision allocated.

Largest balance of trade receivables is TL 2.300.619 for a single customer.

Liquidity risk

The ability to fund the existing and prospective debt requirements is managed by obtaining adequate funding lines from high quality lenders. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

At March 31, 2014 the Company has guaranteed the receivables amounting to TL 113.610.150 (December 31, 2013: TL 123.245.250) via Direct Borrowing System aiming to avoid liquidity risk. The Company has also obtained factoring loans amounting to TL 4.631.931 (December 31,2013: TL 4.209.533) through making early collection; increases the liquidity position and avoids foreign exchange loss risk.

NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

a) Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. The Company manages this risk by means of balancing the interest-earning assets and interest-bearing liabilities as natural precautions. The Company places those interest earning assets at short-term investments.

Currency risk

The Company is exposed to currency risk due to its import transactions and borrowings in foreign currency. These transactions are held in USD, Euro. The Company began to utilize factoring transactions in order to hedge foreign currency risk on its imports since 26 January 2010. Thus, the Company collects foreign denominated receivables in TL prior to maturity.

Interest Rate Risk

The Company is exposed to interest rate risk due to effects of changes in the interest rates to the assets and liabilities,

b) Risk Management Disclosures

Due to its operations, the Company is subject to various financial risks including capital market prices and effects of changes in foreign currency and interest rates. The aggregate risk management program focuses on the unpredictability of the financial markets and aims at minimizing the potential adverse effects on the financial performance of the Company.

Interest rate risk

The Company is subject to the interest rate risk due to impact of changes in the interest rates on the interest rate sensitive asset and liabilities.

	March 31, 2014	December 31, 2013
Fixed interest rate financial instruments		
Short-term borrowings (Note 6)	17.635.007	22.022.085

Credit risk

Credit risk is diversified since there are many counterparties in the customer database.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, Approximately 10.41 percent of the Company's revenue is attributable to sales transactions with a single customer. Largest balance of trade receivables is TL 2.300.619 for a single customer.

NOTE 29– NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Risk Management Disclosures (continued)

Credit risk (continued)

The geographical concentration of receivables excluding related parties exposed to the credit risk at March 31, are as follow:

	March 31, 2014	December 31, 2013
1. and 5. District Office (Marmara, West Black Sea Regions)	53.216.090	46.628.021
2. District Office (Central Anatolia, Middle Black Sea Regions)	14.709.365	13.482.772
3. District Office (South East Anatolia, East Anatolia, East Black Sea Regions)	10.174.561	6.448.839
4. District Office (Aegean and Mediterranean Sea Regions)	5.634.377	11.545.608
Middle East, Balkans, Africa and Others	11.550.063	8.547.733
	95.284.456	**86.652.973**

At March 31, 2014, the Company has a letter of guarantee amounting to TL 15.953.760 (2013: TL 15.070.021), mortgage amounting to TL 564.000 (2013: TL 564.000), Eximbank guarantee amounting to TL 12.525.119 (2013: TL 14.659.589), collaterals received as notes amounting to TL 827.442 (2013: TL 835.724) and direct borrowing system guarantees amounting to TL 113.610.150 (2013: TL 123.245.150), The Company does not have collaterals received as cash at March 31, 2014 (2013: null).29. Nature and level of risk arising from financial instruments (continued)

Detail of credit risk as at March 31, 2014 is as follows:

	Receivables					
	Trade receivables		Other Receivables		Deposits on Banks	Other (commitments given)
March 31, 2014	Related party	Others	Related party	Others		
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	**1.091.261**	**95.284.458**	**-**	**-**	**544.430**	**15.672.241**
• The part of maximum risk under guarantee with collateral	1.091.261	84.863.755	-	-	544.430	-
A. Net carrying value of financial assets which are neither impaired nor overdue	1.091.261	84.863.755	-	-	544.430	-
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	-	10.420.703	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
• Past due (gross book value)	-	803.352	-	-	-	-
• Impairment (-)	-	(803.352)	-	-	-	-
• Covered portion of net book value (with letter of guarantee etc,)	-	-	-	-	-	-
• Undue (gross book value)	-	-	-	-	-	-
• Net carrying value of impaired assets	-	-	-	-	-	-
• Covered portion of net book value (with letter of guarantee etc,)	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	15.672.241

(*) In determination of the amount, the elements like obtained credits of guarantees that increase the reliability of the credit were not considered.

NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Risk Management Disclosures (continued)

Credit risk **(continued)**

The Company works with most of its customers since its foundation and there has not been any loss due to receivables from these customers. In order to monitor credit risks, customers are regrouped according to their credit character and customer types. Most of the accounts receivable consist of the receivables from agencies.

The Company sets up provisions for its doubtful receivables after a problem arises in collection from the related customer and when the lawyer of the customer is informed for the legal action.

At March 31, 2014 past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables			
March 31, 2014	**Trade receivables**	**Other receivables**	**Deposits on Banks**	**Other (Commitments given)**
Past due 1-30 days	4.730.516	-	-	-
Past due 1-2 months	2.204.528	-	-	-
Past due 3-6 months	1.401.919	-	-	-
More than 6 months	2.083.740	-	-	-
Total	**10.420.703**	-	-	-
The portion secured by guarantee**	8.627.774	-	-	-

As at March 31, 2014, the Company has guaranteed its receivables by letter of guarantee amounting to TL 428.490 (December 31, 2013: 266.785), direct borrowing system (DBS) guarantees amounting to TL 7.423.855 (December 31, 2013: 4.575.776). At March 31, 2014, the Company has obtained Eximbank guarantee amounting to TL 725.855 (December 31, 2013: TL 1.344.855), mortgage amounting to nil (December 31, 2013 : TL 0). At March 31, 2014 and 2013, the Company has not utilized all these guarantees by means of collecting its receivable balances in cash terms.

NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Risk Management Disclosures (continued)

Credit risk **(continued)**

Detail of credit risk as of December 31, 2013 is as follows:

	Receivables			
	Trade receivables			
December 31, 2013	**Related party**	**Others**	**Deposits on Banks**	**Other (commitments given)**
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	**414.145**	**86.652.973**	**831.553**	**12.901.417**
The part of maximum risk under guarantee with collateral	414.145	79.153.251	831.553	-
A. Net carrying value of financial assets which are neither impaired nor overdue	414.145	79.153.251	831.553	-
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	7.499.722	-	-
-Past due (gross book value)	-	856.711	-	-
-Impairment (-)	-	(856.711)	-	-
-Covered portion of net book value (with letter of guarantee etc,)	-	-	-	-
-Undue (gross book value)	-	-	-	-
-Net carrying value of impaired assets	-	-	-	-
-Covered portion of net book value (with letter of guarantee etc,)	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	12.901.417

As at December 31, 2013, past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables			
December 31, 2013	**Trade receivables**	**Other receivables**	**Deposits on Banks**	**Other (Commitments given)**
Past due 1-30 days	4.893.416		831.553	12.901.417
Past due 1-3 months	1.060.227		-	-
Past due 3-6 months	1.326.306		-	-
More than 6 months	219.773		-	-
Total	**7.499.722**		**-**	**-**
The portion secured by guarantee**	6.187.416		-	-

Guarantees

In accordance with the Company policy, total guarantees amounting to TL 15.672.245 (December 31, 2013: TL 12.901.147) are given to custom offices, domestic supplier, banks and tax offices.

NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Risk Management Disclosures (continued)

Currency risk

Foreign currency risk is the risk arisen from the value change of any financial instrument based on currency. The Company is exposed to the currency risk due to its net assets, export sales and borrowings in foreign currency. For the exchange rate risk, the management of the Company strictly follows up stabilizing foreign exchange position. The main currencies used are USD and Euro.

As at March 31, 2014 and 2013, net position of the Company is resulted from foreign currency assets and liabilities:

	Currency Position					
	March 31, 2014			**December 31, 2013**		
	TL	**USD**	**Euro**	**TL**	**USD**	**Euro**
1. Trade receivables	10.156.858	4.053.108	426.098	8.914.265	3.367.509	588.112
2a. Monetary financial assets	1.365.018	610.480	9.374	8.813.954	4.106.104	17.128
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current Assets (1+2+3)	**11.521.876**	**4.663.588**	**435.472**	**17.728.219**	**7.473.613**	**605.240**
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+9)	**11.521.876**	**4.663.588**	**435.472**	**17.728.219**	**7.473.613**	**605.240**
10. Trade payables	(2.500.161)	(621.739)	(378.651)	(1.656.106)	(468.622)	(223.370)
11. Financial liabilities	(4.631.931)	(1.761.699)	(257.436)	(4.209.533)	(1.588.070)	(279.283)
12a. Monetary financial liabilities				-		
12b. Non-monetary financial liabilities				-		
13. Short Term Liabilities (10+11+12)	**(7.132.092)**	**(2.383.438)**	**(636.087)**	**(5.865.639)**	**(2.056.692)**	**(502.653)**
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Monetary financial liabilities	-	-	-	-	-	-
16b. Non-monetary financial liabilities	-	-	-	-	-	-
17. Long Term Libilities (14+15+16)	**-**	**-**	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**(7.132.092**	**(2.383.438)**	**(636.087)**	**(5.865.639)**	**(2.056.692)**	**(502.653)**
19. Off-Balance sheet financial derviative net asset (liability) position (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20. Net foreign currency asset (liability) position (9-18+19)	**4.389.784**	**2.280.150**	**(200.615)**	**11.862.580**	**5.416.921**	**102.587**
21. Monetary items net foreign currency asset (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	**4.389.784**	**2.280.150**	**(200.615)**	**11.862.580**	**5.416.921**	**102.587**
22. Total fair value of financial instruments used for currency swap	**-**	**-**	**-**	**-**	**-**	**-**
23. Hedged amount of foreign denominated assets	**-**	**-**	**-**	**-**	**-**	**-**
24. Hedged amount of foreign denominated liabilities	**-**	**-**	**-**	**-**	**-**	**-**

NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Risk Management Disclosures (continued)

Currency risk

As at March 31 2014 and December 31 2013 currency sensitivity analysis is as follow;

	Currency Sensitivity Analysis			
	March 31, 2014			
	Profit/Loss			Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	Assumption of devaluation/appreciation by 10% of USD against TL			
1- Net USD asset / (liability)	499.307	(499.307)	-	-
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- Net US Dollar effect (1+2)	**499.307**	**(499.307)**	**-**	-
	Assumption of devaluation/appreciation by 10% of Euro against TL			
4- Net EUR asset / (liability)	(60.329)	60.329	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- Net EUR effect (4+5)	**(60.329)**	**60.329**	**-**	-
	Assumption of devaluation/appreciation by 10% of other currencies against TL			
7- Other currency net asset/liability	-	-	-	-
8- Part of hedged from other currency (-)	-	-	-	-
9- Net other currency effect (7+8)	**-**	**-**	**-**	**-**
TOTAL (3+6+9)	**438.978**	**(438.978)**	**-**	**-**

	Currency Sensitivity Analysis			
	December 31, 2013			
	Profit/Loss			Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	Assumption of devaluation/appreciation by 10% of USD against TL			
1- Net USD asset / (liability)	1.156.133	(1.156.133)	-	-
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- Net US Dollar effect (1+2)	**1.156.133**	**(1.156.133)**	**-**	**-**
	Assumption of devaluation/appreciation by 10% of Euro against TL			
4- Net EUR asset / (liability)	30.125	(30.125)	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- Net EUR effect (4+5)	**30.125**	**(30.125)**	**-**	**-**
	Assumption of devaluation/appreciation by 10% of other currencies against TL			
7- Other currency net asset/liability	-	-	-	-
8- Part of hedged from other currency (-)	-	-	-	-
9- Net other currency effect (7+8)	**-**	**-**	**-**	**-**
TOTAL (3+6+9)	**1.186.258**	**(1.186.258)**	**-**	**-**

For the periods ended March 31, 2014 and 2013, total import and export of the Company comprised the following:

	March 31, 2014	December 31, 2013
Total exports	17.245.516	59.960.208
Total imports	25.911.230	101.767.671

NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Risk Management Disclosures (continued)

Liquidity risk

Prudential liquidity risk management means keeping adequate cash and marketable securities, utilization of fund sources by means of adequate borrowing transactions and the power to close out the market positions. By the cash inflows provided from the operating activities, the Company utilizes its requirements for current and future funding and the remaining portion of those cash inflows are utilized in time deposits with short-term maturities. The Company finances the capital expenditures by the long-term borrowings utilized from the financial institutions. The Company makes it's repayments of its borrowing from the cash inflows provided from operating activities through the productivity from those capital expenditures.

The below tables show the monetary liabilities of the Company according to their remaining maturities at March 31,:

As of March 31, 2014

Maturity per agreements	Book value	Total contractual cash outflows	0-3 Months	3-12 Months
Non-derivative financial liabilities	**43.693.886**	**43.693.886**	**31.693.886**	**12.000.000**
Short term payables	17.635.007	17.635.007	5.635.007	12.000.000
Trade and other payables	24.418.878	24.418.878	24.418.878	-
Due to related parties	14.870	14.870	14.870	-
Other short term provisions	927.133	927.133	927.133	-
Other short term liabilities	697.998	697.998	697.998	-

As of December 31, 2013

Maturity per agreements	Book Value	Total contractual cash outflows	0-3 Months	3-12 Months
Non-derivative financial liabilities	**48.575.148**	**48.575.148**	**48.542.901**	**322.247**
Short term payables	22.022.085	22.022.085	22.022.085	-
Trade and other payables	23.208.306	23.208.306	23.176.059	322.247
Due to related parties	5.540	5.540	5.540	-
Other short term provisions	2.167.929	2.167.929	2.167.929	-
Other short term liabilities	1.171.288	1.171.288	1.171.288	-

Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Risk Management Disclosures (continued)

Trade receivable and payables

Accounts receivable that are originated by the Company by way of providing goods directly to a debtor are carried at amortized cost using the effective interest rate method. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of the imputed interest is significant. Accounts receivable assessed as they reflect their fair values because of their short-term nature.

The Company provided reserve for all receivables which are under legal follow-up. Exchange rate difference resulted from foreign currency denominated bad and doubtful receivables is included in the bad debt provision and same amount of foreign exchange difference is also accounted as foreign exchange gain.

Trade payables are stated at cost net of interest on credit purchases. Trade payables, net of deferred finance cost are measured at amortized cost using the effective interest rate method by taking into consideration the future cash flows of the original invoices recognized in the financial statements. Accounts payable assessed as they reflect their fair values because of their short-term nature.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Other

Other financial assets and liabilities assessed as they reflect their fair value because of their short-term nature.

NOTE 30 – SUBSEQUENT EVENTS

Administration and factory buildings and land of Tekiz facilities were sold on 16 January 2014 for a total consideration of USD 21.1 million (equals to 46.232.210 TL). After deducting miscellaneous expenses related with sales transactions amounting to TL 1.320.333, the Company realized gain from this sale in amount of TL 42.916.456.

As disclosed to KAP on April 3, 2014, it has been resolved that all of aforementioned gain on sale of assets held for sale in the official records would be included to pre-tax profit of 2014 without avail of the exception made to acquisitions arising from selling of immovables in assets of the Corporations for two full years in article 5 of the Corporate Tax Law.
