İzocam Ticaret ve Sanayi Anonim Şirketi

Convenience Translation into English of Financial Statements As at and For the Year Ended 31 December 2013

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

17 February 2014

This report is 52 pages

Independent Auditors' Report

To the Board of Directors of İzocam Ticaret ve Sanayi Anonim Şirketi,

We have audited the accompanying financial statements of İzocam Ticaret ve Sanayi Anonim Şirketi ("The Company") which comprise the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and the explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Turkish Accounting Standards ("TAS") published by Public Oversight, Accounting and Auditing Standards Authority ("KGK") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards promulgated by Capital Markets Board of Turkey ("CMB"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether about the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of İzocam Sanayi ve Ticaret Anonim Şirketi as at 31 December 2013 and its financial performance its cash flows for the year then ended in accordance with TAS (please see Note 2).

Responsibilities of Auditors are

Report on Other Legal and Regulatory Requirements

In accordance with Article 402 of the Turkish Commercial Code (“TCC”); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company’s articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the KGK, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor’s report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 3 April 2013 and it is comprised of three members. The committee has met once since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

İstanbul, 17 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakkı Özgür Sıvacı,

Partner
İstanbul, Türkiye

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Statement of Financial Position as at Year Ended 31 December 2013

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

		Audited	
		Current period	**Restated Prior Period**
	Note	**31 December 2013**	**31 December 2012(*)**
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	6,737,578	4,581,135
Trade Receivables	7	88,287,231	83,494,507
Due From Related Parties	*4*	*414,145*	*1,541,548*
Other Trade Receivables		*87,873,086*	*81,952,959*
Inventories	9	23,230,162	22,392,199
Prepaid Expenses	17	276,965	3,539,346
Other Current Assets	18	1,587,066	1,296,719
Sub Total		**120,119,002**	**115,303,906**
Assets Held for Sale	10	1,995,421	--
Total Current Assets		**122,114,423**	**115,303,906**
Non-Current Assets			
Other Receivables	8	17,241	3,955
Property, Plant and Equipment	11	92,816,398	90,916,947
Intangible Assets	12	69,226	50,626
Other Intangible Assets		*69,226*	*50,626*
Other Non-Current Assets		13,896	873
Total Non-Current Assets		**92,916,761**	**90,972,401**
TOTAL ASSETS		**215,031,184**	**206,276,307**
LIABILITIES			
Short-Term Liabilities			
Short Term Borrowings	6	22,022,085	14,476,383
Trade Payables	7	28,118,522	28,686,900
Due To Related Parties	4	*322,247*	*390,402*
Other Trade Payables		*27,796,275*	*28,296,498*
Payables for Employee Benefits	16	3,040,094	2,183,621
Other Payables	8	5,540	8,551
Other Payables		*5,540*	*8,551*
Income Tax Payable		1,800,812	1,920,949
Short Term Provisions		2,406,142	2,544,122
Provision For Employee Benefits	13	*2,306,351*	*2,294,856*
Other Short-Term Provisions	*13*	*99,791*	*249,266*
Other Short Term Liabilities	*18*	299,123	261,282
TOTAL SHORT TERM LIABILITIES		**57,692,318**	**50,081,808**
Long Term Liabilities			
Long Term Provisions	15	8,425,274	7,594,023
Provision For Employee Benefits		*8,425,274*	*7,594,023*
Deferred Tax Liabilities	27	633,355	322,128
TOTAL LONG TERM LIABILITIES		**9,058,629**	**7,916,151**
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
Restricted Reserves	19	32,510,225	29,982,894
Other Comprehensive Income Not to be Reclassified to Profit or Loss			
Revaluation and Remeasurement Losses		(3,346,848)	(2,829,432)
Retained Earnings		41,705,860	44,991,406
Net Profit For The Period		27,019,305	25,741,785
		148,280,237	**148,278,348**
TOTAL LIABILITIES AND EQUİTY		**215,031,184**	**206,276,307**

See note 2.2 for Restatement

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Profit or Loss and Other Comprehensive Income as at Year Ended 31 December 2013

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

		Audited	
	Note	**Current period 1 January- 31 December 2013**	**Prior Period 1 January - 31 December 2012(*)**
PROFIT OR LOSS			
Revenues	20	339,116,356	318,292,484
Cost of Sales (-)	20	(256,270,142)	(239,176,487)
GROSS PROFIT		**82,846,214**	**79,115,997**
Administrative Expenses (-)	22	(12,494,661)	(10,479,631)
Marketing Expenses (-)	21	(38,264,784)	(36,524,102)
Other Operating Income	24	5,037,926	4,538,336
Other Operating Expense (-)	24	(338,854)	(1,907,760)
OPERATING PROFIT		**36,785,841**	**34,742,840**
Investment Income	25	448,509	--
Investment Expense (-)	25	(52,653)	(89,235)
OPERATING PROFIT BEFORE FINANCE COSTS		**37,181,697**	**34,653,605**
Finance Income	26	38,426	258,239
Finance Costs(-)	26	(3,233,223)	(2,457,730)
PROFITBEFORE TAX FROM CONINUING OPERATİONS		**33,986,900**	**32,454,114**
Tax Expenses on Continuing Operations		**(6,967,595)**	**(6,712,329)**
Income Tax Expense	27	(6,527,015)	(5,936,077)
Deferred Tax Expense	27	(440,580)	(776,252)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**27,019,305**	**25,741,785**
NET PROFIT FOR THE PERIOD		**27,019,305**	**25,741,785**
Earnings Per Share From Continuing Operations		0,0110	0,0105
Diluted Earnings Per Share From Continuing Operations		0,0110	0,0105
Other Comprehensive Income			
Items that will never be classified to profit or loss:			
Remeasurement of Defined Benefit Plans	15	(646,769)	(2,099,989)
Tax effect of Remeasurement of Defined Benefit	27	129,353	419,998
OTHER COMPREHENSIVE INCOME		**(517,416)**	**1,679,991**
TOTAL COMPREHENSIVE INCOME		**26,501,889**	**24,061,794**

*See note 2.2 for Restatement

İzocam Ticaret ve Sanayi Anonim Şirketi

Interim Statement of Changes in Equity For the Year Ended 31 December 2013

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 losess	Restricted Reserves	Retained earnings	Net profit for period	Total Equity
Balances at 1 January 2012		**24.534.143**	**25.856.460**	**1.092**	**--**	**27.105.565**	**42.094.853**	**34.624.441**	**154.216.554**
Accounting policy changes (*)		--	--	--	(1,149,441)	--		1,149,441	--
Balances at 1 January 2012 (restated)		**24,534,143**	**25,856,460**	**1,092**	**(1,149,441)**	**27,105,565**	**42,094,853**	**35,773,882**	**154,216,554**
Total comprehensive income (previously reported)		--	--	--	--	--	--	24.061.794	24.061.794
Transfers		--	--	--		2,877,329	32,896,553	(35,773,882)	--
Dividends		--	--	--	--	--	(30.000.000)	--	(30.000.000)
Balances at 31 December 2012 (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**
Accounting policy changes (*)		--	--	--	(1.679.991)	--		1.679.991	--
Restated Balances at 1 January 2013		**24.534.143**	**25.856.460**	**1.092**	**(2.829.432)**	**29.982.894**	**44.991.406**	**25.741.785**	**148.278.348**
Losses of remeasurement on defined benefit plans		--	--	--	(517.416)	--	--	--	(517.416)
Total comprehensive income		--	--	--		--	--	27.019.305	26.501.889
Transfers		--	--	--		2.527.331	23.214.454	(25.741.785)	--
Dividends		--	--	--		--	(26.500.000)	--	(26.500.000)
Balances at 31 December 2013		**24.534.143**	**25.856.460**	**1.092**	**(3.346.848)**	**32.510.225**	**41.705.860**	**27.019.305**	**148.280.237**

(*) See Note 2,2 for Restatement

	Note	Audited Current Period 31 December 2013	Audited Restated* Prior Period 31 December 2012
A. Cash Flows From Operating Activities		**27.055.946**	**17.305.154**
Net Profit		27.019.305	25.741.785
Adjustments:			
Depreciation and amortization	11-12	11.268.074	10.311.264
Income tax expense	27	6.527.015	5.936.077
Deferred tax expense	27	440.580	776.252
Provision for employee termination benefits		503.197	528.492
Provision for vacation pay liability		1.115.981	332.184
Interest income		(3.438.616)	(4.661.284)
Interest expense	26	3.233.223	2.132.839
(Gains) losses on sale of property, plant and equipment-net	11-12	(395.856)	89.235
Provision for doubtful receivables	7	93.106	125.523
Other non-cash provisions		4.654.442	10.243.631
		51.020.450	**51.555.998**
Changes in working capital:			
Change in trade receivables		(6.013.234)	(10.676.544)
Change in other receivables		(13.286)	--
Change in due from related parties		1.127.403	(398.898)
Change in blocked deposits		(2.550.590)	(1.758.822)
Change in inventories		(837.962)	(2.434.211)
Change in other current assets		(3.141.625)	420.661
Change in prepaid expenses		3.262.381	(3.233.061)
Change in payables for employee benefits		856.473	(313.725)
Change in trade payables		(500.223)	5.327.959
Change in other non-current assets		(13.023)	951
Change in due to related parties		(68.155)	(125.292)
Change in other payables		(3.011)	6.954
Change in other liabilities		37.841	(1.103.294)
Total adjustments		**43.163.439**	**37.268.676**
Net cash flow from operating activities :		**(16.107.494)**	**(19.963.522)**
Taxes paid		(6.647.152)	(6.866.189)
Interest paid	26	(2.796.703)	(1.803.118)
Severance paid	15	(1.440.404)	(1.018.972)
Provisions paid		(5.223.235)	(10.275.243)
B. Net Cash Flows from Investing Activities		**(11.934.411)**	**(28.565.119)**
Acquisition of property, plant and equipment	11	(15.427.585)	(27.715.635)
Acquisition of intangible assets	12	(50.721)	(5.755)
Proceeds from sale of property, plant and equipment		692.617	669.482
Advances given		--	(1.513.211)
Repayment of advances given		2.851.278	--
C. Net Cash Flows from Financing Activities		**(15.515.682)**	**(16.043.247)**
Proceeds from borrowings		7.545.702	9.243.293
Dividends paid		(26.500.000)	(29.988.760)
Interest received, net		3.438.616	4.702.220
Net decrease in Cash and Cash Equivalents (A+B+C)		(394.147)	(27.303.212)
D. Cash and Cash Equivalents at the Beginning of Period	**5**	**1.572.971**	**28.876.183**
Cash and Cash Equivalents At the End of Period (A+B+C+D)	**5**	**1.178.824**	**1.572.971**

(*) See note 2.2 for restatement.

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 31 December 2013, 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 31 December 2013, 38.84 percent of the shares are publicly traded at BİST.

As at 31 December 2013, total number of employees of the Company is an average basis 428 (31 December 2012: 436) including 189 white collar employees (31 December 2012: 191) and 239 blue collar employees (31 December 2012: 245).

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 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 31 December 2013 and statement of profit or loss and other comprehensive income for year than ended was authorized for issue by the Board of Directors of the Company on 17 February 2014. General assembly and legal authorities have the right to change the accompanying financial statements upon publication.

Additional paragraph for convenience translation to English:

The accompanying financial statements are not intended to present the financial position and results of its operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

2.1.2 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 7 June 2013.

With the resolution taken on 17 March 2005, CMB has announced that, effective from 1 January 2005, the application of IAS 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 31 December 2004 are reflected in retained earnings.

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.1 Basis of Presentation (Continued)

2.1.3 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.

2.1.4 Comparative information

Financial statements prepared as at and for the year ended 31 December 2013 are presented comparatively with prior period as at and for the year ended 31 December 2012. If necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative information is reclassed and related differences are explained in related notes.

Reclassifications made in accordance with CMB's "Announcement on Format of Financial Statements and Footnotes" dated 7 June 2013 are as follows:

Advances given for fixed assets amounting to TL 2,893,740, prepaid expenses amounting to TL 545,762, advances given for inventory amounting to TL 79,858, advances given to personnel amounting to TL 14,705 and job advances amounting to TL 5,281 were presented under "Other Current Assets" in current assets as at 31 December 2012 was reclassified to "Prepaid Expenses".

Due to personnel amounting to TL 25,234 that was presented under "Other Payables" account in short term liabilities as at 31 December 2012 was reclassified to "Payables for Employee Benefits".

Expense accruals for invoices not received amounting to TL 831,825 that was presented under "Provisions" account in short term liabilities as of 31 December 2012 was reclassified to "Other Trade Payables".

Employee bonus provision amounting to TL 2,171,102 that was presented under "Provisions" account in short term liabilities as at 31 December 2012 was reclassified to "Provisions for Employee Benefits".

Miscellaneous expense accruals amounting to TL 223,394 and legal provision amounting to TL 25,872 that were presented under "Provisions" account in short term liabilities as at 31 December 2012 was reclassified to "Other Short Term Provisions".

Taxes and duties payable amounting to TL 1,617,183, social security witholding payables amounting to TL 450,436 and private pension plan contributions amounting to TL 90,768 that were presented under "Other Short Term Liabilities" account in short term liabilities as at 31 December 2012 was reclassified to "Payables for Employee Benefits".

Actuarial loss amounting to TL 2,099,989 and deferred tax liability effect amounting to TL 419,998 that were presented under "General Administrative Expenses" account in statutory profit or loss and other comprehensive income for the year ended 31 December 2012 was reclassified to "Revaluation and Remeasurement Losses" under statutory profit or loss and other comprehensive income.

Actuarial loss amounting to TL 1,436,801 and deferred tax liability amounting to TL 287,360 that were presented under "Retained Earnings" account in equity as at 31 December 2012 was netted and reclassified to "Revaluation and Remeasurement Losses" under "Other Comprehensive Income".

Interest income on credit sales amounting to TL 4,403,045 that was presented under "Finance Income" account in profit or loss for the year ended 31 December 2012 was reclassified to "Other Operating Income".

Foreign currency losses amounting to TL 739,269 that was presented under "Finance Expense" account in profit or loss for the year ended 31 December 2012 was reclassified to "Other Operating Expense".

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.2 Changes in Accounting Policies

TAS 19, Employee Benefits, were reused which is effective from 1 January 2013. Accordingly, actuarial gains and losses related to provision for severance pay liability are required to be presented under other comprehensive income.

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 remeasurement 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 remeasurement losses under equity increased by TL 2,829,432.

2.3 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 Changes in IFRS

2.4.1 *New standards and interpretations adopted in 2013 that have no effect on the Company's financials*

The International Accounting Standards Board (IASB) has issued amendments to *IAS 12* "*Income Taxes"* as at 31 December 2010. The amendments set out in Deferred Tax: Recovery of Underlying Assets, result from proposals published for public comment in an exposure draft in December.

IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale, It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "*Investment Property*". The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be through sale.

As a result of the amendments, SIC-21 Income Taxes—Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn, The amendment is effective for annual periods beginning on or after 1 January 2012 and it is not expected to have any impact on the financial statements. *IFRS 10 "Consolidated Financial Statements"* standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 "Consolidated Financial Statements" standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

2.5 Changes in IFRS

2.4.1 *New standards and interpretations adopted in 2013 that have no effect on the Company's financials (continued)*

IAS 27 (2011) replaces IAS 27 and is effective for annual periods after 1 January 2013.

IFRS 11 "Joint Arrangements" standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 "*Consolidated Financial Statements*" and IFRS 12 "*Disclosure of Interests in Other Entities*" should be also adopted early. The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

IFRS 12 "Disclosure of Interests in Other Entities" standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 "*Consolidated and Separate Financial Statements*" related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 "*Interests in Joint Ventures*" and IAS 28 "*Investment in Associates*". These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities, Under the new standard it is expected that more comprehensive disclosures will be given for interests in other entities.

Revised *IFRS 13 "Fair Value Measurement"* provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

The amendments to *IAS 1 "Presentation of Financial Statements"* is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified.

TAS 28 *Investment in Associates* (2011), replaces TAS 28 (2008) and becomes effective on 1 January 2013 or annual periods following this date.

First implementation of TFRS 1 – Changes in TFRS 1 states the reclassifications of government loans for first time adopting companies. These changes are effective as of 1 January 2013 or annual periods following this date. Such changes do not have a material impact on the Company's financial statements.

TFRS 7 Financial Instruments: Changes in *Interpretations – TFRS 7* standard requires companies to include disclosures on the netting of financial assets and liabilities. These changes are effective as of 1 January 2013 or annual periods following this date. Such change does not have a material impact on the Company's financial statements.

TFRSY 20 Operating Costs of Open Mine at Production – TFRSY 20 interpretation carries out timing of initial recognition and remeasurement for the benefits arising from stripping activities. These changes are effective as of 1 January 2013 or annual periods following this date. Such change does not have a material impact on the Company's financial statements.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.4 Changes in IFRS

2.4.2 N*ew Standards and Interpretations Not Yet Adopted as at 31 December 2013*

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB's International Financial Reporting Interpretation Committee ("IFRIC") which are effective as at 31 December 2012. Some new standards, amendments to standards and interpretations which are not effective as at 31 December 2012 have not been applied during the preparation of the accompanying financial statements.

IFRS 9 "Financial Instruments" was issued on November 2009, by the IASB as the first step in its project to replace IAS 39 "*Financial Instruments: Recognition and Measurement"*.

With this project, financial reporting for financial assets was designated to be principle-based and less complex. With IFRS 9, which represents the first phase of the project, formation of principles regarding the reporting of financial assets, providing of relevant and useful information for readers of financial statements in order to conduct analyses on the determination of any uncertainties, timing and amounts for the estimated future cash flows is targeted. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The amendment will allow classification and measurement of financial assets and is effective for annual periods beginning on or after 1 January 2015. The Company is not planning to early adopt this guidance and did not evaluate potential impact for the adoption of this statement.

TFRSY 21 *Income Taxes* – TFRSY 21 interpretation clarifies the recognition of payables related to tax liabilities. This change will be effective as of 1 January 2014 and annual periods following this date. The Company is not planning to early adopt this standard and impact of adopting this guidance has not been considered yet.

TAS 36 *Impairment of Assets* – Changes in TAS 36 standard requires the disclosures net realizable amount of non-financial assets only if impairment or reversal of impairment exists. This change will be effective as of 1 January 2014 and annual periods following this date. The Company is not planning to early adopt this standard and impact of adopting this guidance has not been considered yet.

TAS 32 *Financial Instruments: Presentation* – Changes in TAS 32 standard carries out new pronouncements on necessary criterion for netting of financial assets and liabilities. This change will be effective as of 1 January 2014 and annual periods following this date. The Company is not planning to early adopt this standard and impact of adopting this guidance has not been considered yet.

TAS 39 *Financial Instruments: Recognition and Measurement* – Changes in TAS 39 standard carries out new pronouncements on the evaluation of counterparties' of a financial risk safeguard instrument in a case where parties initially agree on a renewal clause that one or more clearinghouse becomes a new counterpart of each existing counterparty if existing regulations were updated for the accounting on financial safeguarding related to. This change will be effective as of 1 January 2014 and annual periods following this date. The Company is not planning to early adopt this standard and impact of adopting this guidance has not been considered yet.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Summary of Significant Accounting Policies

Except for the changes disclosed in note 2.4.1, the Company has consistently applied the following accounting policies to all periods presented in these financial statements.

As explained in note 2.4.1,

Certain comparative amounts in the statement of profit or loss and other comprehensive income, statement of financial position 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.

Significant accounting policies applied during the preparation of the financial statements are summarized as follows.

2.5.1 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.

2.5.2 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 Group classifies non-derivative financial asset into: loans and receivables.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies (Continued)

2.5.2 Financial instruments (Continued)

Non-derivative financial assets (continued)

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 Group in the management of its short-term commitments.

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.

2.5.3 Property, plant and equipment

The costs of tangible assets purchased before 1 January 2005 are restated for the effects of inflation current at 31 December 2004 less accumulated depreciation and impairment losses. The costs of tangible assets purchased after 31 December 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
- capitalised borrowing costs.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies (Continued)

2.5.3 Property, plant and equipment (Continued)

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.

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.

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.

Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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	4-25 years
Leasehold improvements	5-6 years
Furniture and fixtures	4-15 years

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies (Continued)

2.5.4 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 31 December 2004 less accumulated amortization and impairment losses. The costs of intangible assets purchased after 31 December 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.

2.5.5 Leases.

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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies (Continued*)*

2.5.6 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).

2.5.7 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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies (Continued)

2.5.7 Impairment of assets (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.

2.5.8 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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies *(Continued)*

2.5.9 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.

2.5.10 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 with in 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).

2.5.11 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.

2.5.12 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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies (Continued)

2.5.13 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).

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.

2.5.14 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.

2.5.15 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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies (Continued)

2.5.16 Expenses

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

2.5.17 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.

2.5.18 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 IAS 24 – Related party disclosures (Note 4).

2.15.19 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.

2.6 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 29.2.6 – Determination of fair values
Note 27 – Tax assets and liabilities
Note 13-15 – Employee benefits
Note 12 – Useful lives of property, plant and equipment and intangible assets
Note 7 – Impairment losses on accounts receivable
Note 9 – Impairment losses on inventories
Note 13 – Other short-term provisions

3 SEGMENT REPORTING

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

4 RELATED PARTIES

4.1 Due from Related Parties

At 31 December, due from related parties comprised the following:

	2013	2012
Saint-Gobain Isover CRIR	140,893	37,523
Saint-Gobain Rigips Alçı Sanayi ve Ticaret Anonim Şirketi ("SG Rigips")	116,025	15,707
Saint-Gobain Weber Yapı Kimyasalları Sanayi Ticaret Anonim Şirketi ("SG Weber")	66,761	1,428,016
Saint Gobain Recherche ("SG Recherche")	50,296	42,277
Saint Gobain İnovatif Malzemeleri ve Aşındırıcı Sanayi ve Ticaret Anonim Şirketi ("SG İnovatif")	24,805	--
Saint Gobain Isover Ireland ("SG Isover Ireland")	8,053	--
Kuwait Insulating Material MFG CO. ("KIMCO")	7,312	3,574
Saint Gobain Isover Italia S.P.A. ("SG Isover Italy")	--	12,215
Alghanim Industries Corporate Office ("AICO")	--	2,236
	414,145	**1,541,548**

As at 31 December 2013 there is no collateral received from related parties (31 December 2012: TL 7,761).

4.2 Due to Related Parties

At 31 December, due to related parties comprised the following:

	2013	2012
Grunzweig Hartman AG ("Grunzweig")	166,893	146,505
SG Isover France	155,354	144,538
Other	--	99,359
	322,247	**390,402**

4.3 Sales to Related Parties

For the year ended 31 December, significant sales transactions to related parties comprised the following:

	2013	2012
SG Weber	693,995	6,391,165
SG Gobain Gradevınskı Proızvodı D.O.O.("Saint Gobain GP")	161,768	164,542
SG Rigips	119,295	13,645
SG Isover Ireland	47,688	44,772
SG Recherche	23,230	20,773
KIMCO	21,616	199,150
Saint-Gobain Savoie Refractaires	--	108,328
SG Isover Italy.	--	44,206
AICO	--	2,251
	1,067,592	**6,988,832**

4.4 Purchases from Related Parties

For the year ended 31 December, purchases from related parties comprised the following:

	2013	2012
SG Isover France	1,256,538	1,144,476
Grunzweig	934,433	836,278
SG Weber	96,501	2,392,272
SG Rigips	63,522	13,180
Saint-Gobain Isover France	5,937	5,477
Saint-Gobain Isover SA	3,960	1,454
Saint Gobain - Isover (Germany)	--	347,918
KIMCO	--	57,354
SG Recherche	--	11,007
SG Glass Italia	--	1,524
	2,360,891	**4,810,940**

4.5 Other Transactions with Related Parties

For year ended 31 December, other transactions with related parties comprised the following:

	2013	2012
Dividends paid		
İzocam Holding	25,193,406	28,520,924
Central Record Institution ("MKK")	1,296,665	1,467,836
Other (*)	9,929	11,240
	26,500,000	**30,000,000**

(*) Amount of 9,929 TL transferred to reimbursement to Investor Compensation Center.

4.6 Remunerations to the Top Management

For the year ended 31 December remunerations to the top management are comprised the following:

	2013	2012
Short term benefits:		
(Salaries, premiums, housing, company cars, social security, health insurance, vacation pay etc.)	3,140,833	2,918,237
Other long term benefits:		
(Termination indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	403,736	267,639
TOTAL	**3.544.569**	**3,185,876**

5 CASH AND CASH EQUIVALENTS

At 31 December, cash and cash equivalents comprised the following:

	2013	**2012**
Cash at blockage (*)	5,558,754	3,008,164
Banks		
Demand deposits	*831,553*	*891,811*
Cheques at collection (**)	347,271	681,160
	6.737.578	**4,581,135**

* As at 31 December 2013, cash and cash equivalents consist of cash at blockage amounting to TL 5,558,754 (2012: TL 3,008,164). TL 2,956,233 amount of consisted of cash at blockage Direct Borrowing System ("DBS") (2012: TL 3,008,164). At 17 March 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 31 December 2013, TL 2,602,521 of cash blockage amount mainly comprised of the credit card receivables with a maturity less than 3 months. (2012: None).

** Cheques in collection are composed of the cheques which have not been transferred to the company's bank deposits accounts as at 31 December 2013, with a maturity date on or before 31 December 2013.

At 31 December, demand deposits comprised the following currencies;

	2013	**2012**
United States Dollar ("USD")	747,005	336,264
TL	84,548	555,547
	831,553	**891,811**

As of 31 December 2013, there is no time deposit held. (2012: None)

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 year ended 31 December are comprised the followings:

	2013	**2012**
Other cash equivalents	5,558,754	3,008,164
Banks	831.553	891.811
Demand deposit	*831,553*	*891,811*
Cheques at collection	347,271	681,160
Less: Cash at blockage	(5,558,754)	(3,008,164)
	1,178,824	**1,572,971**

6 SHORT TERM BORROWINGS

At 31 December, bank borrowings comprised the followings:

TL Equivalents	2013	2012
Factoring loans (*)	**4,209,533**	**4,686,619**
USD	*3,389,418*	*3,876,092*
European Union Currency Unit ("Euro")	*820,115*	*810,527*
Bank borrowings	**17,812,552**	**9,789,764**
TL	*17,812,552*	*9,789,764*
	22,022,085	**14,476,383**

(*) 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.

7 ACCOUNTS RECEIVABLE AND PAYABLE

7.1 Short-Term Trade Receivable

At 31 December, short-term trade receivables comprised the followings:

	2013	2012
Accounts receivable	76,960,490	70,200,787
Notes receivable	12,670,329	13,474,431
Doubtful receivables	856,711	895,847
Foreign exchange losses on trade receivables	(1.343.588)	(180.713)
Less: Allowance for doubtful receivables	(856,711)	(895,847)
	88,287,231	**83,494,507**

At 31 December 2013, TL 414,145 of accounts receivable comprised due from related parties (2012: TL 1,541,548) in which detailed presentation is disclosed in Note 4.

Average collection period of trade receivables is 86,8 days (31 December 2012: 92,7 days) which may change according to the type of the product and the terms of the agreement with the customer.

7 ACCOUNTS RECEIVABLE AND PAYABLE *(CONTINUED)*

7.1 Short-Term Accounts Receivable *(Continued)*

At 31 December, maturity profiles of cheques and notes receivables are as follows:

	2013	2012
	Cheques	
0 - 30 days	4,778,059	5,668,807
31 - 60 days	4,168,788	4,412,908
61- 90 days	2,495,477	2,406,167
91 days and over	1,228,005	986,549
Total	**12,670,329**	**13,474,431**

For the year ended, 31 December, **the movement of allowance for doubtful receivables comprised the followings**:

	31 December 2013	31 December 2012
Beginning balance	895,847	1,126,452
Provision for the year	93,106	125,523
Write offs	(132,242)	(356,128)
Period end	**856,711**	**895,847**

7.2 Short-Term Trade Payables

At 31 December 2013, short-term trade payables amount to TL 28,118,522 (2012: TL 28,419,900) arising from accounts payable to various suppliers and average payment term is 33.3 days. (2012: 29.4 days). As at 31 December 2013, TL 221,717 of short term trade payables (2012: TL 26,486) consists of foreign currency losses.

At 31 December 2013, TL 322,247 of trade payables comprised due to related parties (2012: TL 390,402) for which detailed presentation is disclosed in Note 4.

8 OTHER RECEIVABLES AND PAYABLES

8.1 Long-Term Other Receivables

At 31 December 2013, long-term receivables comprised deposits given amounting to TL 17,241 (2012: TL 3,955).

8.2 Short-Term Other Payables

At 31 December 2013, short-term other payables amounting to TL 5,540 (2012: TL 8,851) comprised of other payables.

9 INVENTORIES

As at 31 December, **inventories comprised the following**:

	2013	2012
Raw materials and supplies	15,093,482	14,422,199
Finished goods	7,686,932	7,039,673
Trading goods	449,748	930,327
	23,230,162	**22,392,199**

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

10 ASSETS HELD FOR SALE

Company Management received a valuation report for factory building, administrative building and land of to Tekiz Facilities. These were presented as non-current assets classified as held for sale.
As of December 31, the non-current assets classified as held for sale are as follows:

	2013	2012
Tangible Assets	1,995,421	--
Total	**1,995,421**	**--**

As 31 December 2013, non-current assets held for sale, consists of TL 237,103 land, TL 66,805 of land improvements and TL 1,691,513 of buildings. On 16 January 2014, sale for this asset was completed for a total consideration of USD 21.1 million and total consideration amount was received in cash.

11 PROPERTY, PLANT AND EQUPMENT

For the year ended 31 December 2013 movement in the property, plant and equipment comprised the following:

Cost	1 January 2013	Transfer	Additions	Disposals	Transfers (*)	31 December 2013
Land	6,241,411	--	--	--	(237,103)	6,004,308
Land improvements	4,627,353	--	--	--	(156,703)	4,470,650
Buildings	59,768,672	1,826,773	--	(70,024)	(6,502,728)	55,022,693
Machinery and equipment	194,060,888	12,876,357	483,742	(11,311,785)	--	196,109,202
Furniture and fixtures	7,171,296	268,508	148,797	(776,461)	--	6,812,140
Leasehold improvements	72,875	1,024,940	--	--	--	1,097,815
Construction in progress	2,809,129	(15,996,578)	14,795,046	(136,900)	--	1,470,697
Total Cost	**274,751,624**	**--**	**15,427,585**	**(12,295,170)**	**(6,896,534)**	**270,987,505**

Less: Accumulated depreciation	1 January 2013	Transfer	Additions	Disposals	Transfers (*)	31 December 2013
Land improvements	(2,968,346)	--	(124,530)	--	89,898	(3,002,978)
Buildings	(21,892,222)	--	(1,387,303)	51,584	4,811,214	(18,416,725)
Machinery and equipment	(152,503,556)	--	(9,417,023)	11,177,354	--	(150,743,225)
Furniture and fixtures	(6,412,243)	--	(291,877)	769,471	--	(5,934,649)
Leasehold improvements	(58,310)	--	(15,220)	--	--	(73,530)
Total accumulated depreciation	**(183,834,677)**		**(11,235,953)**	**11,998,409**	**4,901,112**	**(178,171,107)**
Net book value	**90,916,947**				**1,995,421**	**92,816,398**

For the year ended 31 December 2013, depreciation expenses amounting to TL 9,903,904 (31 December 2012: TL 8,423,218) has been recognized under cost of sales, TL 167,498 (31 December 2012: TL 118,600) has been included under administrative expenses and TL 1,164,551 (31 December 2012: TL 872,998) has been capitalized on stocks.

As at 31 December, there has been no pledge on property, plant and equipment.

As at 31 December 2013 and 2012, the Company utilizes tangible assets which have zero net book value on its accounts (31 December 2013 Cost: TL 128,287,754 Accumulated Depreciation: TL 128,287,754; 31 December 2012 Cost: TL 140,996,393 Accumulated Depreciation: TL 140,996,393).

(*) Refer to explanation on Note 10 for transfers. Property, plant and equipment related to Tekiz Facility are reclassed to assets held for sale due to the fact that the sale is planned to be completed within a year.

11 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Cost	1 January 2012	Transfer	Additions	Disposals	31 December 2012
Land	6,241,411	--	--	--	6,241,411
Land improvements	4,627,353	--	--	--	4,627,353
Buildings	42,516,607	17,260,362	1,300	(9,597)	59,768,672
Machinery and equipment	179,102,053	19,387,558	140,249	(4,568,972)	194,060,888
Furniture and fixtures	6,774,325	418,859	96,015	(117,903)	7,171,296
Leasehold improvements	72,875	--	--	--	72,875
Construction in progress	12,852,819	(37,066,779)	27,478,071	(454,982)	2,809,129
	252,187,443	**--**	**27,715,635**	**(5,151,454)**	**274,751,624**

Less: Accumulated depreciation	1 January 2012	Transfer	Charge for the period	Disposals	31 December 2012
Land improvements	(2,839,473)	--	(128,873)	--	(2,968,346)
Buildings	(20,781,729)	--	(1,115,050)	4,557	(21,892,222)
Machinery and equipment	(147,988,791)	--	(8,791,696)	4,276,931	(152,503,556)
Furniture and fixtures	(6,296,418)	--	(227,074)	111,249	(6,412,243)
Leasehold improvements	(51,629)	--	(6,680)	--	(58,310)
Total accumulated depreciation	**(177,958,040)**		**(10,269,373)**	**4,392,737**	**(183,834,677)**
Net book value	**74,229,403**				**90,916,947**

12 INTANGIBLE ASSETS

For the year ended 31 December 2013, movement in the intangible assets comprised the following:

Cost	1 January 2013	Additions	31 December 2013
Software rights	798,212	50,721	848,933
	798,212	**50,721**	**848,933**
Less: Accumulated amortization	***1 January 2013***	***Charge for the period***	***31 December 2013***
Software rights	(747,586)	(32,121)	(779,707)
Total accumulated amortization	**(747,586)**	**(32,121)**	**(779,707)**
Net book value	**50,626**		**69,226**

At 31 December 2012, movement in the intangible assets comprised the following:

Cost	1 January 2012	Additions	31 December 2012
Software rights	792,457	5,755	798,212
	792,457	**5,755**	**798,212**
Less: Accumulated amortization	***1 January 2012***	***Charge for the period***	***31 December 2012***
Software rights	(705,695)	(41,891)	(747,586)
Total accumulated amortization	**(705,695)**	**(41,891)**	**(747,586)**
Net book value	**86,762**		**50,626**

12 INTANGIBLE ASSETS *(CONTINUED)*

At 31 December 2013, amortization expenses amounting to TL 32,121 (31 December 2012: TL 41,891) have been included in administrative expenses.

At 31 December 2013 and 2012, the Company utilizes intangible assets which have zero net book value on its accounts (31 December 2013 Cost: TL 708,674.45; Amortization: TL 708,674.45; 31 December 2012 Cost: TL 696,241, Amortization: TL 696,241).

13 SHORT TERM PROVISIONS

13.1 Short Term Provision for Employee Benefits

At 31 December, short-term provisions are comprised the following:

	2013	**2012**
Provisions for bonuses	2,171,102	2,199,286
Short term portion of the unused vacation pay liability (*)	135,249	95,570
Total	**2,306,351**	**2,294,856**

(*) Vacation pay provision calculated based on accumulated vacation days of Company employees for the reporting year is recorded as vacation pay liability.

13.2 Other Short Term Provisions

At 31 December, other short-term provisions are comprised the following:

	2013	**2012**
Miscellaneous provisions for expenses	73,919	223,394
Provisions for litigation	25,872	25,872
	99,791	**249,266**

For year ended 31 December 2013, the movement of provisions is as follows:

	1 January 2013	***Additions***	***Payments***	***Reversal***	**31 December *2013***
Provisions for personnel premium(*)	2,199,286	5,117,206	(5,145,391)	--	2,171,102
Miscellaneous provisions for expenses(**)	223,394	47,708	(77,844)	(119,338)	73,919
Provisions for litigation	25,872	--	--	--	25,872
	2,448,552	**5,164,914**	**(5,223,235)**	**(119,338)**	**2,270,893**

For year ended 31 December 2012, the movement of provisions is as follows:

	1 January 2012	***Additions***	***Payments***	***Reversal***	**31 December *2012***
Provisions for personnel premium(*)	2,210,334	2,199,286	(2,210,334)	--	2,199,286
Miscellaneous provisions for expenses(**)	112,735	11,548,799	(8,059,834)	(3,378,306)	223,394
Provisions for litigations	30,947	--	(5,075)	--	25,872
	2,354,016	**13,748,085**	**(10,275,243)**	**(3,378,306)**	**2,448,552**

(*) Provisions for 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.

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 nil until 31 December 2014.

At 31 December 2012 and 31 December 2011 commitments given are as follows:

	31 December 2013	31 December 2012
A Commitments given in the name of own legal entity	12,901,417	15,191,195
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	**12,901,417**	**15,191,195**

At 31 December, 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 31 December 2013 was 0,087. (2012: 0,102)

At 31 December, non-cancellable operating lease rentals payable are as follows:

	2013	2012
1.year	658,951	219,534
2. year	658,951	--
3.year	89,637	--
	1,407,539	**219,534**

As at 31 December 2013, 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.

15 LONG TERM PROVISIONS

15.1 Employee Benefits

At 31 December, employee benefits comprised the following:

	2013	2012
Employee severance indemnity	6,205,879	6,059,796
Long term portion of vacation pay liability	2,219,395	1,534,227
Employee benefits	**8,425,274**	**7,594,023**
Short term portion of vacation pay liability	135,249	95,570
Total	**8,560,523**	**7,689,593**

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 31 December 2013 the ceiling amount has been limited to TL 3,254.44 (31 December 2012: TL 3,033.98). 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.

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:

	31 December 2013	31 December 2012
Discount rate %	3,50	2,38
Turnover rate to estimate the probability of retirement %		
Age range 18 - 24	12	12
Age range 25 – 29	7	7
Age range 30 – 39	3	3
Age range 40 – 44	1	1
Age range 45 – 49	1	1
Age range 50 – 69	1	1

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:

	31 December 2013	31 December 2012
Opening balance	6,059,796	4,120,567
Interest cost	436,520	329,721
Cost of services	503,197	528,492
Payments made during the period	(1,440,404)	(1,018,972)
Actuarial difference	646,770	2,099,988
Ending balance	**6,205,879**	**6,059,796**

15 LONG TERM EMPLOYEE BENEFITS *(CONTINUED)*

15.1 Employee Benefits *(continued)*

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 year ended 31 December 2013, interest cost portion is recognized as finance expense where as 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:

	2013	**2012**
Opening balance	1,629,797	1,423,759
Additional provision during the period	1,115,981	332,184
Reversal	(391,134)	(126,146)
	2,354,644	**1,629,797**

16 PAYABLES FOR EMPLOYEE BENEFITS

As at 31 December, payables for employee benefits comprised the following:

	2013	**2012**
Withholding taxes and duties	2,441,481	1,617,183
Social security premium payable	482,127	450,436
Individual pension plan contribution payable	106,452	90,768
Due to personnel	10,034	25,234
Total	**3,040,094**	**2,183,621**

17 PREPAID EXPENSES

At 31 December, prepaid expenses comprised the following:

	2013	**2012**
Advances given for inventory	130,150	79,858
Prepaid expenses	104,353	545,762
Advances given for fixed asset (*)	42,462	2,893,740
Job advances	--	5,281
Advances given to personnel	--	14,705
	276,965	**3,539,346**

(*) At 31 December 2013, advances given for fixed asset represents the advances for stonewool pipeline investment.

18 OTHER ASSETS and LIABILITIES

18.1 Other Current Assets

At 31 December, other current assets comprised the following:

	2013	2012
Value Added Tax ("VAT") receivable	809,618	872,611
Taxes and duties receivable	370,733	--
VAT receivable on exports	177,454	205,380
Other	229,261	218,728
	1,587,066	**1,296,721**

18.2 Other Current Liabilities

At 31 December, other current liabilities comprised the following:

	2013	2012
VAT payable	291,626	253,388
Other	7,496	7,894
	299,123	**261,282**

19 EQUITY

19.1 Paid-in Capital / Inflation Adjustment on Capital

At 31 December 2013, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (31 December 2012: 2.453.414.335 shares of Kr 1 each) 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:

	2013		2012	
	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**
Inflation Adjustment on Capital	25,856,460		25,856,460	
	50,390,603		**50,390,603**	

Inflation adjustment represents the impact of cash additions into paid-in capital due to the change in the purchasing power of TL compared to 31 December 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 2013, there was no capital increase made by the Company.

19.2 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:

31 December 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**

31 December 2012	**Nominal value**	**Inflation adjustment**	**Restated values**
Share premiums	1,092	223,408	224,500
Restricted reserves	29,982,894	23,641,953	53,624,847
Legal reserves	*29,982,848*	*18,710,928*	*48,693,776*
Special reserves(*)	*46*	*4,931,025*	*4,931,071*
Extraordinary reserves	21,263,482	(1,496,872)	19,766,610
	51,247,468	**22,368,489**	**73,615,957**

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

19 EQUITY *(CONTINUED)*

19.2 Other Equity Items *(Continued)*

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 can not be distributed. However, those premiums can be used in share capital increases in the forthcoming years.

19.3 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,

19 EQUITY *(CONTINUED)*

19.3 Dividend Distribution *(Continued)*

- ➢ 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.

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, carryforward 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.

19 EQUITY *(CONTINUED)*

- CMB's regulations related to right of dividend for bonus share certificate holders and allocation of dividends to bonds are reserved.

As at 31 December, according to the matters above the equity accounts of the Company:

	2013	**2012**
Paid-in capital	24,534,143	24,534,143
Inflation adjustment on capital	25,856,460	25,856,460
Restricted reserves		
Legal reserves	*32,510,179*	*29,982,848*
Special reserves	*46*	*46*
Inflation adjustment on legal reserves	18,710,928	18,710,928
Extraordinary reserves	14,493,651	18,296,613
Special reserves	4,931,025	4,931,025
Inflation adjustment on share premium	223,408	223,408
Share premium	1,092	1,092
Net Profit	27,019,305	25,741,785
Total Equity	**148,280,237**	**148,278,348**

In the ordinary general assembly held on 25 March 2013, it has been decided to distribute dividend amounting to TL 26,500,000 trough net profit for the year ended 31 December 2012 amounting to TL 24,061,794 as cash dividends, TL 4,965,535 is transferred from extraordinary reserves and TL 2,527,331 will be transferred to second legal reserves.

At 31 December 2013, TL 9,929 of TL 26,500,000 was sent to Investor Compensation Center.

20 REVENUE AND COST OF SALES

For the year ended 31 December, revenue and cost of sales comprised the following:

	2013	**2012**
Domestic sales	298,784,056	278,238,445
Export sales	59,960,208	58,908,369
Other	610,469	399,038
Gross sales	**359,354,733**	**337,545,852**
Less: Sales returns and discounts	(20,238,377)	(19,253,368)
Net sales	**339,116,356**	**318,292,484**
Less: Cost of sales	(256,270,142)	(239,176,487)
Gross profit	**82,846,214**	**79,115,997**

For the year ended 31 December, the nature of the cost of sales comprised the following:

	2013	**2012**
Raw materials and consumables	228,863,956	215,893,393
Personnel	17,668,963	16,357,685
Depreciation	9,903,904	8,423,218
Changes in inventory	(166,681)	(1,497,808)
Cost of Sales	**256,270,142**	**239,176,488**

21 MARKETING EXPENSES

For the year ended 31 December, marketing expenses comprised the following:

	2013	**2012**
Freight insurance	19,575,493	19,711,625
Personnel	6,940,788	6,272,173
Licenses	2,740,453	2,661,854
Storage	2,308,153	1,766,252
Dealer and authorized service	1,716,091	1,092,614
Advertisement	1,614,681	1,305,419
Transportation	703,539	772,386
Sales commissions	633,657	813,067
Collateral	516,108	510,481
Exhibition and fair	341,317	357,055
Travel	266,858	362,412
Rent	166,223	156,159
Public relations and events	120,251	204,871
Other	621,172	537,734
	38,264,784	**36,524,102**

22 ADMINISTRATIVE EXPENSES

For the year ended 31 December, administrative expenses comprised the following:

	2013	**2012**
Personnel	8,019,765	6,613,008
Information technology	515,813	443,266
Transportation	418,330	378,397
Consultancy	277,380	257,680
Duty, taxes and levies	241,915	156,068
Telecommunication	231,606	213,571
Subscription	227,408	137,513
Representation	217,636	194,368
Depreciation and amortization (Note 11 and 12)	199,619	199,399
Repair, maintenance and energy	191,765	275,312
Legal	115,702	142,040
Stationary and publishing	102,561	64,704
Insurance	99,118	70,906
General assembly	85,131	51,541
Travel	79,326	87,564
Donations (*)	10,155	10,356
Other	1,461,431	1,183,938
	12,494,661	**10,479,631**

(*) For the year ended 31 December 2013, donations made to charitable organizations amounted to TL 10,155 (31 December 2012: TL 10,356).

23 EXPENSES BY NATURE

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

Expenses by nature for the year ended 31 December 2013 and 2012 comprise the following:

	2013	**2012**
Additional wages	16,594,538	16,513,716
Salaries (*)	14,549,625	10,715,282
Severance payments	1,302,354	2,013,868
Depreciation and amortization	11,268,740	10,311,264
Advertisement	1,614,681	1,305,419
Consultancy	277,380	257,680
Maintenance	191,765	275,312
	45,799,083	**41,392,541**

(*) Difference between salaries for the year ended 31 December 2013 and 2012 resulted from reclassifications of actuarial losses. For the year ended 31 December 2013 actuarial gain of TL 646,769 was reclassified under equity (31 December 2012: TL 2,099,989).

Interest rate used for the calculation of discount rate regarding the provision expense for severance liability for the year ended 31 December 2011 was 9.11 percent and this rate was reduced to 7.50 percent resulting in decrease in discount rate from 3.91 percent as of 31 December 2011 to 2.38 percent as of 31 December 2012. Reduction in discount rate resulted in higher actuarial losses in light of change in severance pay provision assumption.

24 OTHER INCOME AND EXPENSE FROM PRINCIPAL ACTIVITIES

24.1 Other Operating Income

For the year ended 31 December, other operating income comprised the following:

	2013	2012
Interest income on credit sale	3,400,190	4,403,045
Other operating income	1,535,501	85,676
Collections from insurance contracts	98,007	44,540
Recoveries of bad debt provisions	4,228	5,075
	5,037,926	**4,538,336**

24.2 Other Operating Expense

For the year ended 31 December, other operating expense comprised the following:

	2013	2012
Foreign exchange losses	257,689	739,269
Provision for doubtful receivables	48,958	125,523
Non-operating expenses (*)	--	972,261
Other	32,207	70,707
	338,854	**1,907,760**

(*) Non-operating expenses include amounts related to June and July month investment period of Stonewool facility and depreciation expense for unused equipment at 6th line of Glass Wool facility.

25 INVESTMENT INCOME/EXPENSE

For the year ended 31 December, investment income/expense comprised the following:

	2013	2012
Gain on sale of fixed assets	448,509	--
Investment income	**448,509**	**--**
Loss on sale of fixed assets	(52,653)	(89,235)
Investment expense	**(52,653)**	**(89,235)**
Income (Expense), net	**395,856**	**(89,235)**

26 FINANCE INCOME AND COSTS

26.1 Finance Income

For the year ended 31 December, finance income comprised the following:

	2013	2012
Interest income on time deposits	38,426	258,239
	38,426	**258,239**

26.2 Finance Costs

For the year ended 31 December, finance costs comprised the following:

	2013	2012
Interest expense on borrowings	2,796,703	2,128,009
Interest cost on defined benefit plan	436,520	329,721
	3,233,223	**2,457,730**

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.

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.

27.1 Tax Liability / Deferred Tax Asset and Liabilities

At 31 December, total tax liability comprised the following:

	2013	**2012**
Corporate tax provision	6,527,015	5,936,077
Prepaid taxes	(4,726,203)	(4,015,128)
Current tax liability	1,800,812	1,920,949
Deferred tax liability	633,355	322,128
Total tax liability	**2,434,167**	**2,243,077**

27 TAX ASSETS AND LIABILITIES *(CONTINUED)*

27.2 Tax Expense

27.2.1 Tax recognized in profit or loss

For the periods ended 31 December, taxation charge in the profit or loss comprised the following:

	2013	**2012**
Current tax expense	(6,527,015)	(5,936,077)
Deferred tax credit	(440,580)	(776,252)
	(6,967,595)	**(6,712,329)**

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

	2013		**2012**	
		%		**%**
Profit before tax	33,986,900		32,454,114	
Tax rate	20		20	
Taxes on reported profit per statutory tax rate	(6,797,380)	(20.00)	(6,490,823)	(20.00)
Disallowable expenses	(170,215)	(0.005)	(221,506)	(0.003)
Tax provision	**(6,967,595)**	**(20.005)**	**6,712,329**	**(20.003)**

27.2.2 Taxes Recognized in Other Comprehensive Income

	2013	**2012**
Tax effect of remeasurement loss on defined benefit plans	129.353	419.998
Tax Expense Recognized in Other Comprehensive Income	**129.353**	**419.998**

27.3 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 percent (2012: 20 percent).

27.3 TAX ASSETS AND LIABILITIES *(CONTINUED)*

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

	2013		**2012**	
	Deferred tax		**Deferred tax**	
	Assets	**Liabilities**	**assets**	**Liabilities**
Employee severance indemnity	1,241,176	--	1,211,959	--
Vacation pay liability	470,929	--	325,959	--
Unrecognized interest expense	73,307	--	52,439	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(2,191,031)	--	(1,755,677)
Other	5,174	(232,910)	30,407	(187,215)
	1,790,586	**(2,423,941)**	**1,620,764**	**(1,942,892)**
Offsetting	**(1,790,586)**	**1,790,586**	**(1,620,764)**	**1,620,764**
		(633,355)	**--**	**(322,128)**

The movement of deferred tax liabilities is as follows:

	1 January 2012	**Other comprehensive income**	**Profit or (loss)**	**31 December 2012**	**Other comprehensive income**	**Profit or (loss)**	**31 December 2013**
Employee severance indemnity	824,113	419,998	(32,152)	1,211,959	129,353	(100,136)	1,241,176
Vacation pay liability	284,752	--	41,207	325,959	--	144,970	470,929
Unrecognized interest expense	96,110	--	(43,671)	52,439	--	20,868	73,307
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(1,039,004)	--	(716,673)	(1,755,677)	--	(435,354)	(2,191,031)
Other	(131,845)	--	(24,963)	(156,808)	--	(70,928)	(227,736)
Net Book Value	**34,126**	**419,998**	**(776,252)**	**(322,128)**	**129,353**	**(440,580)**	**(633,355)**

28 EARNINGS PER SHARE

Earnings per share is computed by dividing the net profit for the year ended 31 December 2013 amounting to TL 26,501,889 (31 December 2012: TL 24,206,745) to the weighted average of the shares during these periods,

	2013	**2012**
Earnings per share		
Net Profit	27,019,305	25,741,785
Number of weighted average of ordinary shares	2,453,414,335	2,453,414,335
Basic Earnings per share (Kr per share)		
Diluted Earnings per share (Kr per share)	0,01101	0,0105

29 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

29.1 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.

29 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

29.1 Financial Risk Management *(Continued)*

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 has one meeting on 1 July 2013 and the report prepared by this committee had been presented to the Board of Directors of the Company.

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.

29.1.1 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 thorough 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 7,853,166 (31 December 2012: TL 8,828,415) 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 2.699.584 for a single customer.

29 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

29.1 Financial Risk Management *(Continued)*

29.1.2 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 31 December 2013 the Company has guaranteed the receivables amounting to TL 123,245,250 (31 December 2012: TL 101,133,150) via Direct Borrowing System aiming to avoid liquidity risk. The Company has also obtained factoring loans amounting to TL 4,209,533 (31 December 2012: TL 4,686,619) through making early collection; increases the liquidity position and avoids foreign exchange loss risk.

29.1.1 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,

29.2 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.

29 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

29.2.1 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.

Fixed interest rate financial instruments	**2013**	**2012**
Short-term bank borrowings (Note 6)	22,022,085	14,476,383

29.2.2 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 10.94 percent of the Company's revenue is attributable to sales transactions with a single customer.

Largest balance of trade receivables is TL 2.699.584 for a single customer.

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

	2013	**2012**
1. and 5. District Office (Marmara, West Black Sea Regions)	47,848,135	38,247,970
2. District Office (Central Anatolia, Middle Black Sea Regions)	13,482,772	15,545,022
4. District Office (Aegean and Mediterranean Sea Regions)	11,545,608	11,859,854
Middle East, Balkans, Africa and Others	8,547,733	5,066,579
3. District Office (South East Anatolia, East Anatolia, East Black Sea Regions)	6,448,839	11,233,532
	87,873,087	**81,952,957**

At 31 December 2013, the Company has a letter of guarantee amounting to TL 15,070,021 (2012: TL 10,810,675), mortgage amounting to TL 564,000 (2012: TL 729,000), Eximbank guarantee amounting to TL 14,659,589 (2012: TL 13,213,744), collaterals received as notes amounting to TL 835,724 (2012: TL 831,874) and direct borrowing system guarantees amounting to TL 123,245,250 (2012: TL 101,133,150), The Company does not have collaterals received as cash at 31 December 2013 (2012: nil).

29 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

29.2 Risk Management Disclosures *(Continued)*

29.2.2 Credit risk (continued)

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

	Receivables			
	Trade Receivables			
31 December 2013	**Related Party**	**Others**	**Deposits on Banks**	**Other (Commitments given)**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**414,145**	**87,873,086**	**831,553**	**12,901,417**
A. Net carrying value of financial assets which are neither impaired nor overdue	414,145	80,373,364	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	--	--
-The portion covered by any guarantee	--	6,187,416	--	--
D. Net carrying value of impaired assets	--	--	--	--
-Past due (gross book value)	--	856,711	--	--
-Impairment (-)	--	(856,711)	--	--
-Covered portion of net book value (with letter of guarantee etc,)	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	12,901,417

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

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.

29 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

29.2 Risk Management Disclosures (Continued)

29.2.2 Credit Risk (Continued)

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

	Receivables			
31 December 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			
The portion secured by guarantee**	6,187,416			

* * In determination of the amount, the items like guarantees that increase the reliability of the credit were not considered.

Detail of credit risk as of 31 December 2012 is as follows:

	Receivables			
	Trade Receivables			
31 December 2012	**Related Party**	**Other Parties**	**Deposits on Banks**	**Other (Commitments given)**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**1,541,548**	**81,952,957**	**891,811**	**15,191,195**
A, Net carrying value of financial assets which are neither impaired nor overdue	1,541,548	75,042,519	891,811	
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		6,910,438		
-The portion covered by any guarantee		6,278,621		
D, Net carrying value of impaired assets				
-Over due (gross book value)		895,847		
-Impairment (-)		(895,847)		
-Covered portion of net book value (with letter of guarantee etc,)				
E, Off balance sheet items with credit risks				15,191,195

29 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

29.2 Risk Management Disclosures *(Continued)*

29.2.2 Credit risk (continued)

As at 31 December 2012, past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables			
31 December 2012	**Trade Receivables**	**Other Receivables**	**Deposits on Banks**	**Other (Commitments given)**
Past due 1-30 days	3,227,321		891,811	15,191,195
Past due 1-2 months	2,628,579			
Past due 3-6 months	1,060,121			
More than 6 months	517,201			
The portion secured by guarantee**	6,910,438			

** At 31 December 2013, the Company has guaranteed its receivables by letter of guarantee amounting to TL 266,785 (2012: TL 297,043), direct debit system guarantees amounting to TL 4,575,776 (2012: TL 4,201,550), mortgage amounting to TL nil (2012: TL 15,508), Eximbank guarantee amounting to TL 1,344,855 (2012: TL 1,764,519). At 31 December 2013 and 2012 the Company has not utilized all these guarantees by means of collecting its receivable balances in cash terms.

29.1.3 Guarantees

In accordance with the Company policy, total guarantees amounting to TL 12,901,417 (2012: TL 15,191,195) are given to custom offices, domestic supplier, banks and tax offices.

29.2.4 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 31 December 2013 and 2012, net position of the Company is resulted from foreign currency assets and liabilities:

29 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

29.2 Risk Management Disclosures *(Continued)*

29.2.4 Currency risk *(continued)*

	Currency Position					
	2013			2012		
	TL	USD	Euro	TL	USD	Euro
1. Trade receivables	8,914,265	3,367,509	588,112	14,299,744	7,239,837	592,767
2a. Monetary financial assets	8,813,954	4,106,104	17,128	462,628	235,808	17,977
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	--	--	--	--	--	--
4. Current Assets (1+2+3)	**17,728,219**	**7,473,613**	**605,240**	**14,762,372**	**7,475,645**	**610,744**
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)	**17,728,219**	**7,473,613**	**605,240**	**--**	**--**	**--**
10. Trade payables	(1,656,106)	(468,622)	(223,370)	(4,453,556)	(1,253,405)	(943,673)
11. Financial liabilities	(4,209,533)	(1,588,070)	(279,283)	(4,686,620)	(2,174,404)	(344,656)
12a. Monetary financial liabilities	--					
12b. Non-monetary financial liabilities	--					
13. Short Term Liabilities (10+11+12)	**(5,865,639)**	**(2,056,692)**	**(502,653)**	**(9,140,176)**	**(3.427,809)**	**(1,288,329)**
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)	**(5,865,639)**	**(2,056,692)**	**(502,653)**	**(9,140,176)**	**(3,427,809)**	**(1,288,329)**
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)	**11,862,580**	**5,416,921**	**102,587**	**5,622,196**	**4,047,836**	**(677,585)**
21. Monetary items net foreign currency asset (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	**11,862,580**	**5,416,921**	**102,587**	**5,622,196**	**4,047,836**	**(677,585)**
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	**--**	**--**	**--**	**--**	**--**	**--**

29 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

29.2 Risk Management Disclosures *(Continued)*

29.2.4 Currency risk (continued)

Currency Sensitivity Analysis		
31 December 2013		
USD: 2,1343		
Euro: 2,9365		
	Profit/Loss	
	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-USD risk averse portion (-)	**--**	**--**
3-Net USD Effect (1+2)	**1,156,133**	**(1,156,133)**
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	30,125	(30,125)
5-Euro risk averse portion (-)	**--**	**--**
6- Net Euro 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-Other currency risk averse portion (-)	**--**	**--**
9-Net other currency effect (7+8)	**--**	**--**
Total(3+6+9)	**1,186,258**	**(1,186,258)**

Currency Sensitivity Analysis		
31 December 2012		
USD: 1,8889		
Euro: 2,4438		
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL		
1-Net USD asset/liability	721,567	(721,567)
2-USD risk averse portion (-)	--	--
3-Net USD Effect (1+2)	**721,567**	**(721,567)**
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	(159,348)	159,348
5-Euro risk averse portion (-)	--	--
6- Net Euro Effect (4+5)	**(159,348)**	**159,348**
Assumption of devaluation/appreciation by 10% of other currencies against TL		
7-Other currency net asset/liability	--	--
8-Other currency risk averse portion (-)	--	--
9-Net other currency effect (7+8)	--	--
Total(3+6+9)	**562,219**	**(562,219)**

29 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

29.2 Risk Management Disclosures *(Continued)*

29.2.4 Currency risk (continued)

For the year ended 31 December 2013 and 2012, total import and export of the Company comprised the following:

	31 December 2013	31 December 2012
Total exports	59,960,208	58,908,369
Total imports	101,767,671	103,967,876

29.2.5 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 31 December:

31 December 2013 **Maturity per agreements**	**Book Value**	**Total contractual cash outflows**	**0-3 Months**	**3-12 Months**	**1-5 Years**	**5 years And more**
Non-derivative financial liabilities	**52,525,448**	**52,525,448**	**52,203,201**	**322,247**	--	--
Short term payables	22,022,085	22,022,085	22,022,085	--	--	--
Trade and other payables	27,793,653	27,793,653	27,793,653	--	--	--
Due to related parties	322,247	322,247	--	322,247	--	--
Other short term provisions	2,273,515	2,273,515	2,273,515	--	--	--
Other short term liabilities	113,948	113,948	113,948	--	--	--

31 December 2012 **Maturity per agreements**	**Book Value**	**Total contractual cash outflows**	**0-3 Months**	**3-12 Months**	**1-5 Years**	**5 years And more**
Non-derivative financial liabilities	**45,710,497**	**45,710,497**	**45,320,095**	**390, 042**	**--**	**--**
Short term payables	14,476,383	14,476,383	14,476,383	--	--	--
Trade and other payables	27,464,673	27,464,673	27,464,673	--	--	--
Due to related parties	390,402	390,402	--	390,402	--	--
Other short term provisions	3,280,337	3,280,337	3,280,337	--	--	--
Other short term liabilities	98,662	98,662	98,662	--	--	--

29 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

29.2.6 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.

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.

Fair values of 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.

30 OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR MAKE THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

According to extraordinary General Assembly held on 30 September 2013, it was resolved that, Board of Directors was authorized for the sale of property regarding a factory and three premises located at Dudullu Organized Industrial Zone, Plate 30, Parcel 6433 with total area of 20, 897 m2, Açmalar Street, Second Region Village Eriklipınar, Dudullu Disctrict, Ümraniye/ İstanbul.

On 16 January 2014, sale of property was completed based on a total cash consideration of USD 21.1 million (Note 10).