

ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS
PRESENTED TO THE 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM
TİCARET VE SANAYİ A.Ş. HELD ON 25TH MARCH 2013

Esteemed Shareholders,

Welcome to our Ordinary General Assembly held in order to analyze and finalize 2012 activity results of our Company. We would like to thank you for the attention you have shown and greet you respectfully.

We would like to give information about our 2012 works, to analyze our financial statements showing the activity results and to submit them to your approval in this meeting, which is the 48th of our Shareholders General Assembly.

AMENDMENTS ON THE ARTICLES OF ASSOCIATION

Extraordinary General Assembly convened on 30th May 2012 and unanimously resolved as follows: Article 4 “Real Estate Saving”, Article 11 “Structure and Duties of the Board of Directors, Representation of the Company”, Article 12 “Term of Board of Directors, Article 13 “Provisions Related with the Board of Directors” and Article 18 “General Assembly Meetings” included in the Articles of Association shall be amended; Article 35 “Financial Rights Granted to Board Members and Senior Managers” and Article 36 “Compliance with Corporate Governance Principles” shall be added to the Articles of Association. These amendments were registered in Istanbul Trade Registry Office on 04.06.2012 under the registration number 172476 - 2012 and announced in Turkish Trade Registry Gazette on 8th June 2012 (Pages 429, 430 and 431).

CAPITAL

The registered capital ceiling of our Company is 60 Million TL while the issued capital is 24.534.143,35 TL. There has not been any change in the issued capital of our company within the period.

Within 2012, a performance convenient with the general development in IMKB (Istanbul Stock Exchange) 100 index has been observed in Company share prices.

Dividend amounts distributed within the last three years are as follows:

114,03 % over the paid capital in 2010
116,95 % over the paid capital in 2011
122,27 % over the paid capital in 2012

PARTNERSHIP ACTIVITY WITHIN THE SECTOR

Our Company has reserved its distinguished position within the insulation industry sector of our country where it acts as a leader since its establishment and improves its sector of activity even more with the new products it has added to the range of production.

Glass wool and stone wool, which are referred to as mineral wools forming an important part of the production subject and total sales amount of our Company, are produced in various types, shapes and mixtures and have a wide field of use as heat and sound insulation materials in industrial and agricultural facilities, energy investments and residential sector.

ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS
PRESENTED TO THE 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM
TİCARET VE SANAYİ A.Ş. HELD ON 25TH MARCH 2013

Other product groups we manufacture are Expanded and Extruded Polystyrenes. These products are widely used especially in wet and cold insulation applications.

Roof and side panels (with and without insulation), partition and suspended roof products are manufactured in our Tekiz Panel Production Facility within Dudullu Organized Industrial Zone in Istanbul.

Elastomeric rubbers produced in Eskisehir, on the other hand, are used predominantly in the insulation of pipes, tanks and similar cold installations.

INVESTMENTS

Various capacity, productivity and quality increasing investments have been made on the current facilities within the year.

Board of Directors decreed with its decision dated 11 August 2010 and numbered 658 that the stone wool oven in Gebze / Dilovası is about to complete its technical life and that a series of investments should be made in 2011, 2012 and 2013 by taking into consideration the demand of market.

The construction of Extruded Polystyrene, Expanded Polystyrene and Tekiz Panel factories have been initiated respectively on the land having a surface area of 86.065,08 m² purchased within Gebkim Organized Industrial Zone in 2010 and Extruded Polystyrene building has been completed, new machines have been mounted and commercial goods production has been initiated in June 2011. One of the two current extruded polystyrene production lines in Gebze has been transferred to its new building constructed on the current land in Tarsus and has been put into use in November 2011 while the second line has been transferred to the building constructed in Gebkim Organized Industrial Zone and has been put into use in January 2012. Upon the completion of these investments, the extruded polystyrene production capacity has been increased up to 720.000 m³/year.

The Stone wool furnace which is located in Gebze Dilovası and has a production capacity of 50 thousand tons/year was put out on 1st June 2012 and started to be demolished as it completed its technical lifespan. The new furnace with a production capacity of 75 thousand tons/year and its equipments started to be used for goods production after completing trial productions.

The expanded polystyrene production facility located in Gebze/Dilovası was dismantled and taken to its new building which is located in Gebkim Organized Industrial Site. Installation works of the new block machine and line equipments were completed. Goods started to be produced as of 26th December 2012. With these additional investments, the production capacity of this facility was increased to 6000 tons/year level.

Tekiz panel facility which is still under construction is planned to be completed in May 2013. The facility is planned to start producing goods with its new machines and equipments in its new building located within Gebkim Organized Industrial Site. Once the investment process is completed, this facility's production capacity will be 4 million m².

ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS
PRESENTED TO THE 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM
TİCARET VE SANAYİ A.Ş. HELD ON 25TH MARCH 2013

Thanks to these investments a substantial part of which was completed, our company's production capacity reached the levels enough for meeting the increasing market demands in the following years.

Values of our tangible assets as of the end of the year are provided below in comparison with the values of the previous year.

TANGIBLE ASSETS

(Calculated According to the Notifications of Capital Market Board)

TL	31 December 2012	31 December 2011
Cost		
Lands and parcels	6.241.411	6.241.411
Land Improvements	4.627.353	4.627.353
Buildings	59.768.672	42.516.607
Plants, Machinery and Equipments	194.060.888	179.102.053
Fixtures, Special Costs	7.244.171	6.847.200
Construction in Progress	2.809.129	12.852.819
Advances Given		
	<u>274.751.624</u>	<u>252.187.443</u>
Accumulated Depreciation		
Land Improvements	2.968.346	2.839.473
Buildings	21.892.222	20.781.729
Plants, Machinery and Equipments	152.503.556	147.988.791
Fixtures, special costs	6.470.553	6.348.047
	<u>183.834.677</u>	<u>177.958.040</u>
Net book value	<u>90.916.947</u>	<u>74.229.403</u>

ISSUED SECURITIES

We do not have any issued securities.

ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS
PRESENTED TO THE 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM
TİCARET VE SANAYİ A.Ş. HELD ON 25TH MARCH 2013

FINANCIAL ASSETS

(Calculated According to the Notifications of Capital Market Board)

We do not have any financial asset.

PRODUCTION MOVEMENTS

2012 production amounts and capacity use rates in respect of goods are as follows:

(in comparison with 2011)	CAPACITY USE RATE (%)		PRODUCTION	
	2012	2011	2012	2011
Mineral Wools (Ton)	74	71	82.746	74.715
Panel products (000 m ²)	79	83	1.783	1.867
Plastics (m ³)	61	79	630.437	463.282

The year 2012 has been a difficult one both for our economy and the construction sector. Problems related to the export markets continued to be experienced also during 2012. Real sector confidence index has experienced a constant decline since April and decreased to a level below 2011. In addition to this, no significant increase was observed in consumer confidence throughout the year and consumer confidence index remained nearly at the same level as 2011. In this context, consumer inflation rate which was also contributed by weakening internal demands closed 2012 at 6.2% level. This is the lowest value of the last 15-month period. As a result of this, Central Bank reinforced its market position by managing to keep inflation rate within targeted band for the third time within the last 4-year period. A similar trend was observed also in producer price index. Inflation target was achieved with 2.5% value which is the lowest Producer Price Index value of the last 3-year period.

As for the growth dimension, the growth experienced in Gross National Product at the end of third quarter fell short of the mark with a value of 2,6%. Within this scope, the growth experienced in construction sector fell to the lowest level of the last 3-year period. It grew by only 1% within the first 9-month period. Construction sector is expected to continue its 3-year-long decline also in 2012 if the growth amount doesn't experience a surprising increase within the fourth quarter.

On the other side, we can see by having a look at the sub-details of Gross National Product that export transactions made in 2012 a positive contribution of 3.4% to the total growth while internal demand transactions made a negative contribution of -1,8%. This situation indicates us the fact that growth volume was rather contributed by export transactions throughout the year.

It is observed that İzocam stands out in the whole construction sector in a positive way as it reached a two-digit growth level both in domestic and foreign sales in such an economic environment despite the decelerated growth of the construction sector and the weakening domestic demand amount.

ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS
PRESENTED TO THE 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM
TİCARET VE SANAYİ A.Ş. HELD ON 25TH MARCH 2013

Our net turnover amount increased by 11% and reached 318.292.485 TL while our export income reached 33 million USD by experiencing a 5% increase in comparison to the previous year.

Amounts related to the product sales included in our area of activity are provided below as compared to the amounts of 2011.

NET SALES

(Calculated According to the Notifications of Capital Market Board)

(TL)	2012	2011
Domestic	278.238.445	250.929.843
Export	58.908.369	52.647.528
Other	399.039	151.551
Total Gross Sales	337.545.853	303.728.922
Discount and Returns	-19.253.368	-17.297.589
Net Sales	318.292.485	286.431.333

YIELD AND PRODUCTIVITY

Capacity usage ratios and productivity rates decreased in all product groups in parallel with the increases and decreases taking place in workforce hours.

Details about our yield coefficients are given below.

YIELD COEFFICIENTS

%	2012	2011
Mineral Wools	91	93
Panel	87	96
Plastics	90	96

DETAILS OF FINANCIAL STRUCTURE

Our balance sheet dated 31.12.2012 and statements about balance items prepared by our external auditing company in accordance with the Notifications of the Capital Market Board are submitted for your information in ANNEX-1. Similarly, our income statement is also submitted for your analysis in ANNEX-2 together with the comments.

ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS
PRESENTED TO THE 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM
TİCARET VE SANAYİ A.Ş. HELD ON 25TH MARCH 2013

In 2012, a need for short-term loan occurred due to the effects of cash outflows which were caused by three-year-long investments. The funds created by our company within the year were allocated to investments, operating capital increases, tax payments, dividend payments and the repayments of short-term loans (Statement of Changes in Equity and Cash Flow Statement are given in Annex - 3 and Annex - 4 respectively).

OTHER SUBJECTS

Our Company produces GLASS WOOL with the TEL process as of 1967 as the licensed company of Saint Gobain ISOVER (FRANCE); produces STONE WOOL with the SILLAN process as of 1993 as the licensed company of Saint Gobain ISOVER G+H (GERMANY); the EXTRUDED POLYSTYRENE facility, active since 1995, on the other hand, produces FOAMBOARD with the HYDROVAC process and the license of OWENS CORNING (AMERICA).

The ARMACELL GmbH (GERMANY) license has been obtained for ELASTOMERIC RUBBERS whose production was initiated in 2000.

Our Company is, at the same time, a member of “EURIMA” European Insulation Manufacturers Association and “Panama International Sandwich Panel Manufacturers Association.

Our production is under continuous observation in the laboratories of our facilities; the results of these determinations are evaluated and necessary improvements are applied.

Our products are manufactured in our facilities carrying the Quality System, Environment System and Occupational Safety and Health System Certificates in line with the ISO 9001, ISO 14001 and OHSAS 18001 standards.

The Company has obtained the “CE” Conformity Certificates, which are made obligatory for insulation products in the European Union as of May 2003, for glass wool and stone wool products on 11 April 2003 and has obtained the right of free movement for its products in the European Union member countries. In 2007, EPS products were certified and the branding right has been obtained.

The conversion from HCFC gas, whose utilization will be banned in the near future, to HFC gas, which is environmentalist in the production of Foam board was successfully completed in 2008 and our Foam board product CE Certification works were completed within 2009.

Our stone wool and glass wool products have been entitled to receive EUCEB Certificate by passing the tests successfully in 2008 and 2009 respectively.

Our stone wool products of various volumes have also obtained certificates (of non-flammability) and have been started to be used in ship building.

Our Company has made a total contribution of 10.356,- TL in 2012 to foundations and similar social institutions.

ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS
PRESENTED TO THE 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM
TİCARET VE SANAYİ A.Ş. HELD ON 25TH MARCH 2013

The Competition Authority gave an administrative fine of 1.317.714,-TL to our Company due to the implementations contrary to the Law numbered 4054 and the justified decision regarding this decree was notified to the Company on 4 June 2010. The Company paid this fine at an amount of 988.286,-TL with a discount of twenty five per cent on 28 June 2010 by using its legal rights and a case was filed to the State Council on 19 August 2010 upon the demand to annual the mentioned decision and terminate its execution. There has not been any development about the case yet.

As per the policies of the Company, the total amount of guarantees given is 15.191.195,- TL (31 December 2011: 7.511.195,- TL) and these guarantees generally consist of letters of guarantee and notes submitted to customs houses, domestic suppliers, banks and tax offices.

ADMINISTRATIVE ACTIVITIES

Board members who were selected at the General Assembly Meeting held on 26th March 2012 convened on 27th March 2012 and shared tasks. Independent board members Gülsüm Azeri and Pol Zazadze were assigned as Audit Committee members while independent board member Pol Zazadze was assigned as Corporate Governance Committee member together with board members Arnaud Jacques Gérard Moisset and William Mark Schmitz.

Considering the current structure of the Board of Directors; it was resolved that the duties of Nomination Committee, Early Detection of Risk Committee and Wage Committee shall be fulfilled by Corporate Governance Committee.

Convening on 30th May 2012, Extraordinary General Assembly modified the Articles of Association and adapted it to the Corporate Governance Principles determined by Capital Markets Board.

During its meeting held on 22nd June 2012, Board of Directors determined the working principles of Audit Committee by taking into consideration the latest Amendments made in the Articles of Association. It assigned Pol Zazadze as this committee's Chairman, determined the working principles of Corporate Governance Committee and assigned Pol Zazadze as the Chairman of this committee too.

Working principles of these committees were also published in company's website on the same date.

Audit Committee convened three times within the year, reviewed company's periodic financial reports and reported them to the Board of Directors.

Corporate Governance Committee requested some actions to be taken for preparing business maps related to the operational activities, determining the risks related to business processes and defining control activities so that risk management and internal control systems can be integrated into company's corporate structure and possible risks can be managed in an efficient way.

ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS
PRESENTED TO THE 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM
TİCARET VE SANAYİ A.Ş. HELD ON 25TH MARCH 2013

Upon committee's request; processes which had an effect on company's operations within 2012, especially the basic processes, were determined and the risk-control matrixes related to these processes started to be created. Completed processes are shared with Corporate Governance Committee and the criteria related to the 'detection and management of risks' are reviewed by it. Risk management models of similar companies are also examined so that the process can be maintained more efficiently.

İzocam's risk management model aims to anticipate possible events to take place in case any risk, evaluate present control activities and ensure risks to be managed in an efficient way by performing additional controls when necessary. The company started to prepare a Risk Management Table for following up its risks. Analyses related to all critical processes are intended to be completed until the end of 2013. In addition to this, a manual containing internal control activities which ensure the efficiency of risk management process is planned to be prepared in order to increase awareness within the company as well as to guide users.

Efficiency of the internal control system is tested through inter-corporate audits. Personnel responsible for internal audits work as affiliated with company's General Manager and remain in touch with the Audit Committee.

Board of Directors convened three times throughout the year and all members were present at these meetings.

Board members Gianni Scotti, William Mark Schmitz, Arif Nuri Bulut, Samir Mamdouh Kasem and Arnaud Jacques Gérard Moisset who were selected to represent İzocam Holding A.Ş. at company's general assembly meeting held on 26th March 2012 with the aim of complying with Article 25 'Board of Directors' of the Law No. 6103 on the Effectiveness and Application Method of New Turkish Trade Law resigned in accordance with the procedures necessary for preventing any management gaps. They were reassigned for these duties with the resolution taken by the Board of Directors on 24th and 25th September 2012.

Company's General Manager Arif Nuri Bulut started his work life in Izocam in 1981, has taken charge in various administrative levels, worked as Assistant General Manager (Technical) between 1996 and 2002 and was assigned as the General Manager on 01.04.2002.

Hasan Basri Eröktem, working as the Company's Assistant General Manager (Finance-Administration) started his work life in Izocam in 1977, has taken charge in various administrative levels and was assigned as the Assistant General Manager in 1993.

Fatih Öktem, working as the Company's Assistant General Manager (Marketing), started his work life in Izocam in 1986, has taken charge in various administrative levels and was assigned as the Assistant General Manager in 1997.

Our Company makes necessary works and arrangements to make the workers and representatives of the company to abide by the codes of conduct in their activities and to execute these rules.

ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS
PRESENTED TO THE 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM
TİCARET VE SANAYİ A.Ş. HELD ON 25TH MARCH 2013

Our managers who are still in charge are listed below.

<u>NAME- SURNAME</u>	<u>DUTY</u>
ARİF NURİ BULUT	GENERAL MANAGER
HASAN BASRİ ERÖKTEM	ASSISTANT GENERAL MANAGER, FINANCE- ADMINISTRATION
FATİH ÖKTEM	ASSISTANT GENERAL MANAGER, MARKETING
NABİ AKPINAROĞLU	PRODUCTION DIRECTOR
DORUK ÖZCAN	CORPORATE ACCOUNTING MANAGER
ÖNER TORUN	BUDGET AND FINANCING MANAGER
NEJDET AVCI	INFORMATION SYSTEM MANAGER
MUSTAFA SELÇUK	PRODUCTION PLANNING AND LOGISTIC MANAGER
HALİL SITKI ERGÜN	ENGINEERING MANAGER
KEMAL GANİ BAYRAKTAR	TECHNICAL MARKETING MANAGER
VUSLAT GÖKÇE	HUMAN RESOURCES AND INDUSTRIAL RELATIONS MANAGER
DEMİR AHMET DEMİRTAŞ	EXPORT MANAGER
SERDAR SALBAŞ	1. DISTRICT SALES MANAGER
BÜLENT YILDIZ	2. DISTRICT SALES MANAGER
MUSTAFA RÜŞTÜ UZ	3. DISTRICT SALES MANAGER
NİHAT KÖŞGER	4. DISTRICT SALES MANAGER
HAKAN ÖZŞANLI	5. DISTRICT SALES MANAGER
AHMET UYSAL	TEKİZ SALES MANAGER
FEZA MAHMUT HOKKACI	FACADE SYSTEMS SALES MANAGER

**GEBZE STONE WOOL, STYROPOR AND FOAMBOARD
PRODUCTION FACILITIES**

ÖMER MEHMET ARUN	OPERATING MANAGER (STONE WOOL)
MEHMET BEZZAZOĞLU	OPERATINF MANAGER (PLASTICS/ TEKİZ)
GÖKHAN SERİN	QUALITY ASSURANCE MANAGER
EŞREF BİNGÖL	RESEARCH&DEVELOPMENT MANAGER
İLHAN KARAAĞAÇ	FOAMBOARD PRODUCTION MANAGER
OLCAY YULTAY	PRODUCTION MANAGER (STONE WOOL)

ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS
PRESENTED TO THE 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM
TİCARET VE SANAYİ A.Ş. HELD ON 25TH MARCH 2013

TARSUS GLASS WOOL PRODUCTION FACILITY

KORAY MAHMUT TEMUÇİN	OPERATING MANAGER
TİMUR ARAS	ACCOUNTING AND ADM. AFFAIRS MANAGER
TEFİK YILDIZ	PRODUCTION MANAGER
RAMAZAN TOK	MAINTENANCE AND UTILITY SERVICES MANAGER
EVİRİM YILDIZ	QUALITY ASSURANCE MANAGER

UMRANIYE TEKİZ PANEL PRODUCTION FACILITY

ALİ GÖKÇE ALKAN	PRODUCTION MANAGER
HAKAN İMREN	HUMAN RESOURCES AND ADM. AFFAIRS TEAM LEADER

ESKİSEHIR RUBBER AND POLYETHYLENE PRODUCTION FACILITY

MEHMET ENGİN AK	PRODUCTION MANAGER
-----------------	--------------------

An increase of 1.939.229,-TL has occurred in our benefit obligation calculated according to the Notifications of Capital Market Board as of 31.12.2012 and this amount has been included to the long-term liabilities of our balance sheet.

Generally accepted salary supplements are made to the personnel and workers of our Company and there are no personnel in our company who are members of a union.

In 2012, no administrative sanction and punishment were imposed on the company and Board of Director. Besides, there is no important case opened against the company. Our Company does not have any substantial incompatibility with public or private institutions.

PROFIT DISTRIBUTION PROPOSAL AND CONCLUSION

To distribute 26.500.000,00 TL cash dividends over our capital amount corresponding to 24.534.143,35 TL which was paid to the shareholders according to Turkish Trade Law, Capital Markets Law and company's Articles of Association; to distribute 6.681.273,48 TL part (4.965.535,26 TL part according to CMB) of this dividend to be distributed from the nominal amounts of our extraordinary reserves available in our legal records and to distribute these amounts constituting the basis for profit distribution as follows:

ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS
PRESENTED TO THE 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM
TİCARET VE SANAYİ A.Ş. HELD ON 25TH MARCH 2013

(TL)	Profit Distribution According to Capital Markets Law	Profit Distribution According to Legal Records
1 st tier legal reserves	--	--
Dividend	26.500.000,00	26.500.000,00
2 nd tier legal reserves	2.527.329,28	2.527.329,28
Total	29.027.329,28	29.027.329,28

Sources of the distributed amounts

Distributed from the profit of 2012	24.061.794,02	22.346.055,80
From extraordinary reserves	4.965.535,26	6.681.273,48
Total distributed amount	29.027.329,28	29.027.329,28

thereby to pay 1,080127 TL gross=net cash dividends for the share certificates which are at the rate of 108,0127% and have a nominal value of 1,00 TL to fully accountable institutions and limited taxpayer institution partners gaining profits through a workplace of permanent agency located in Turkey; to pay gross 1,080127 TL and net 0,918108 TL cash dividends for the share certificates which are at the rate of 108,0127% gross and 91,8108% net and have a nominal value of 1,00 TL to the other shareholders; to accept the profit distribution proposal anticipating the initiation of dividend distribution on March 27, 2013 and to submit this proposal to the General Assembly.

I would like to greet you all on behalf of the Board of Directors with the hope to attain successful results in the years to come as has been the case up to date and to thank all our employees and executives for their valuable efforts in achieving our corporate targets.

SAMIR MAMDOUH KASEM
Chairman of the Board

GIANNI SCOTTI
Vice Chairman of the Board

WILLIAM MARK SCHMITZ
Member

**ARNAUD JACQUES GÉRARD
MOISSET**
Member

GÜLSÜM AZERİ
Member

POL ZAZADZE
Member

ARİF NURİ BULUT
Member