

**ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS**  
**PRESENTED TO THE 49<sup>th</sup> ORDINARY GENERAL ASSEMBLY OF IZOCAM**  
**TİCARET VE SANAYİ A.Ş. HELD ON 21<sup>st</sup> MARCH 2014**

Esteemed Shareholders,

Welcome to our Ordinary General Assembly which is held to review and finalize 2013 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 regarding the operations of the company in 2013 review the activity results and to submit them to your approval in the 49<sup>th</sup> Shareholders General Assembly of Izocam.

**AMENDMENTS ON THE ARTICLES OF ASSOCIATION**

The Ordinary General Assembly Convened On 25<sup>th</sup> March 2013 and unanimously resolved as follows: “Article 7- Capital”, “Article 9 - Increasing And Decreasing The Capital, Capital Increase Within The Registered Capital Ceiling, Preferential Subscription” “Article 10- Re-Determination Of The Registered Capital Amount” “Article 13 Provisions Related With The Board Of Directors” “Article 14-Board Meetings” “Article 15- Company Management and Representation” “Article 16- Auditors” “Article 17- Duties And Obligations Of Auditors” “Article 18- General Assembly Meetings” “Article 19- Venue Of Meeting” “Article 20- Quorum” “Article 21- Representative Of The Ministry” “Article 22- Number Of Votes” “Article 23- Representation By Proxy” “Article 24- Voting Method” “Article 25- Announcements” “Article 26 - Amendment Of Articles Of Association” “Article 27 - Issuing Of Bonds And Other Securities” “Article 28- Documents To Be Submitted To The Ministry” “Article 30 – Profit Distribution” “Article 30/A- Other Payments” included “Article 32 - Termination And Dissolution” in The Articles Of Association was Amended; as well as the removal of articles “31 - Reserve Fund And Article” and “33- Arbitration And Jurisdiction”. These amendments were registered in Istanbul Trade Registry Office on 04.04.2013 and announced in Turkish Trade Registry Gazette on 10<sup>th</sup> April 2013 (Pages 915 and 916).

**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 2013, Izocam stock has resembled a parallel performance versus BIST 100 (Istanbul Stock Exchange).

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

116,95 % over the paid capital in 2011  
122,27 % over the paid capital in 2012  
108,01 % over the paid capital in 2013

**PARTNERSHIP ACTIVITY WITHIN THE SECTOR**

Our Company has reserved its distinguished position within the insulation industry sector activity in Turkey where it acts as a leader since its establishment and contributes to insulation sector with the new products it has added to its range of production.

Stone wool and Glass wool which are called as mineral wool constitute important part of the total sales of the Company production subject of our Company and glass wool is produced in Tarsus and stone wool is produced in Dilovası Organized Industrial Zone have a very wide usage as heat and insulation materials in industrial and agricultural plants, energy investments and residence sector by manufacturing in miscellaneous types and kinds.

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Other product groups manufactured by the Company are the expanded and extruded polystyrene produced in Gebkim-Dilovası Organized Industrial Zone and in our Tarsus plant. These products are widely used on specially wet and cold type insulation applications.

Roof and façade panels (with and without insulation), partition and suspended ceiling products are manufactured in our Tekiz Panel Production Plant in Gebkim-Dilovası Organized Industrial Zone.

Elastomeric rubbers and polyethylene which manufacture in our plant in Eskişehir Organized Industrial Zone are mainly used in insulation of pipes, tanks and similar cold type installation.

You can examine “Wage Policy for Board Members and Top Executives” principles together with the information about Board Members worked in 2013 and all kind of rights, interest and wages extended to Board Members and top executives and criteria used to determine them and wage system principles from “Our Conformance Report for Corporate Management Principles” enclosed to this report and information about payments to such persons in the footnote no.26 of financial tables.

The company did not acquire its own shares within the year and was not audited by either private or public institutions within the reporting period. There is not any subsidiary in Company’s portfolio.

### **INVESTMENTS**

Various capacity, productivity and quality increasing investments have been performed in the reporting year.

Board of Directors decreed with its decision dated 11 August 2010 and numbered 658 that the stone wool oven in 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 m<sup>2</sup> which is purchased within Gebkim Organized Industrial Zone in 2010. Extruded Polystyrene building has been completed and 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 Dilovası 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 m<sup>3</sup>/year.

The Stone wool furnace which is located in Kocaeli / 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 on 21 June 2012.

The expanded polystyrene production facility located in 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 26<sup>th</sup> December 2012. With these additional investments, the production capacity of this facility was increased to 6000 tons/year level.

The Tekiz Panel Plant was completed within June of 2013 and started to produce to commodities with new machinery and equipments at new building in Gebkim Organized Industrial Zone. Upon completion of the investment, production capacity of this plant reached to 4 million m<sup>2</sup>.

With such investments completed as from end of 2013, the production capacity of our company reached to levels to respond future demand increase in the market.

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**TANGIBLE ASSETS**

It was resolved to authorize the Board of Directors during Extraordinary General Assembly meeting convened on 30 September 2013 in order to fulfill all procedures for sales of property consisting of masonry plant and three outbuildings having surface area of 20.897 m<sup>2</sup> at Istanbul province, Ümraniye district, Y.Dudullu street 2nd Region Village, Eriklişınar Aşmalar Street (Dudullu Organized Industrial Zone), section no.30/Parcel No: 6433 registered in assets of company and the Board of Directors appointed the company management about sales of the said property. On 16 January 2014, it was completed the sales procedure of this property in exchange of USD 21,1 million and transferred the title deed and collected the sales price in advance.

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

**(Calculated According to the Notifications of Capital Market Board)**

TL	31 December 2013	31 December 2012
<b>Cost</b>		
Lands and parcels	6.004.308	6.241.411
Land Improvements	4.470.650	4.627.353
Buildings	55.022.693	59.768.672
Plants, Machinery and Equipments	196.109.202	194.060.888
Fixtures, Special Costs	7.909.955	7.244.171
Construction in Progress	1.470.697	2.809.129
Advances Given		
	<b><u>270.987.505</u></b>	<b><u>274.751.624</u></b>
<b>Accumulated Depreciation</b>		
Land Improvements	3.002.978	2.968.346
Buildings	18.416.725	21.892.222
Plants, Machinery and Equipment	150.743.225	152.503.556
Fixtures, special costs	6.008.179	6.470.553
	<b><u>178.171.107</u></b>	<b><u>183.834.677</u></b>
<b>Net book value</b>	<b><u>92.816.398</u></b>	<b><u>90.916.947</u></b>

**ISSUED SECURITIES**

We do not have any issued securities.

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**FINANCIAL ASSETS**

**(Calculated According to the Notifications of Capital Market Board)**

We do not have any financial asset.

**PRODUCTION MOVEMENTS**

2013 production amounts and capacity use rates in respect of goods are as follows:

(in comparison with 2012)	CAPACITY USE RATE (%)		PRODUCTION	
	2013	2012	2013	2012
Mineral Wools (Ton)	69	74	92.129	82.746
Panel products (000 m <sup>2</sup> )	62	79	1.243	1.783
Plastics (m <sup>3</sup> )	59	61	586.642	630.437

The Turkish economy which showed negative growth at Gross National Product (GNP) by force of the global crisis in 2009, had showed higher growth than developing countries and also the remaining countries of the world at 2010-2012 period after 2009. This positive growth also continued at first 9 month-period of 2013.

However, it was started to observe globally deceleration marks of the growth in the expectation that the Federal Reserve Bank would stop the monetary development at second part of 2013. In return, the Turkish economy showed 4 % growth at Gross National Product (GNP) in first 9 months of 2013. The construction sector also continued to lead to this growth in 2013 and it was an engine of the economical growth of 8.7 % at third quarter. The growth ratio realized as 7,4 % in the first 9 month-period of 2013 at the construction sector. When it was examined in detail the statistics of the residence sales and the building permits, it was seen that the value of building permits as square meter reached with 120 million square meter to the highest value of the last 10 years in the first 9 month period of 2013.

In 2013, the residence sales affirmed also such growth in the construction sector. Sales of 862, 154 residences in only first 9 months was registered as the highest yearly residence sales of the country history. Consequently, In 2013, the strong interior demand and public expenditures was basic source of the growth at GNP. Also, the construction sector became prominent as one of sectors providing the highest contribution. However, in last quarter of the year, devaluation of Turkish Lira against US\$ and EURO, in spite of we would close 2013 with higher growth, the raising interests and the regression in confidence index revealed new risks for growth of 2014.

Izocam realized a revenue growth of 7 % and 2 % in domestic and international markets, respectively in this general outlook of 2013. The growth in interior market showed parallelism with growth at GNP. In return, growth in the international market sales was limited to 2 % due to problems in the export markets and the general global economical outlook.

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The company has realized the targets largely determined by the management of the company in spite of all past negotiations and press created due to increased competition conditions.

Amounts related to the product sales included in our area of activity are provided below as compared to the amounts of 2012.

**NET SALES**

**(Calculated According to the Notifications of Capital Market Board)**

(TL)	2013	2012
<b>Domestic</b>	298.784.056	278.238.445
<b>Export</b>	59.960.208	58.908.369
<b>Other</b>	610.469	399.039
<b>Total Gross Sales</b>	359.354.733	337.545.853
<b>Discount and Returns</b>	-20.238.377	-19.253.368
<b>Net Sales</b>	<b>339.116.356</b>	<b>318.292.485</b>

**YIELD AND PRODUCTIVITY**

Based on completion of new capacity increase investments and starting to production, it is observed a decrease on our capacity usage ratios at mineral wools and Tekiz Panel products. In parallel with increase and decrease on labor force hours used, the productivity ratios are varied.

Details about our yield coefficients are given below.

**YIELD COEFFICIENTS**

%	2013	2012
Mineral Wools	90	91
Panel	80	87
Plastics	89	90

**DETAILS OF FINANCIAL STRUCTURE**

Our balance sheet dated 31.12.2013 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.

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In 2013, 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 10.155,03TL in 2013 to foundations and similar social institutions.

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.

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As per the policies of the Company, the total amount of guarantees given is 12.901.417,-TL (31 December 2012: 15.191.195,- TL) and these guarantees generally consist of letters of guarantee and notes submitted to customs houses, domestic suppliers, banks and tax offices.

**ADMINISTRATIVE ACTIVITIES**

The Board Members elected during the General Assembly Meeting convened on 25 March 2013 has met on 26 March 2013 and done task sharing. For the audit committee membership, it has been appointed Ms. Gülsüm Azeri and Mr. Pol Zazadze (President) who were independent board members, for the Corporate Management Committee membership, it has been appointed Mr. Pol Zazadze (President) who was independent board member and Mr. Arnaud Jacques Gerard Moisset and William Mark Schmitz who were non-independent board members. In consideration of current structure of the Board of Directors, it has been resolved to fulfill duties of Nomination Committee, Risk Early Determination Committee and Wage Committee by Corporate Management Committee. Working principles of the committees have been published on website pages of the company.

The Committee responsible for the Audit has convened seven times within the year, examined the periodical finance reports of the company during four of meetings and reported to the Board of Directors.

The Corporate Management Committee has requested to start a work for taking out business maps about the operational activities, determining the risks of process and completing the control activities in order to provide integration of the risk management and interior control systems to the corporate structure of the company and to manage possible risks effectively. Upon request of the committee, as firstly basic processes, the effective processes on the company operations have been determined within the company, risk-control matrix has been created for such processes. The completed processes are shared with the Corporate Management Committee.

The Board of Directors has formed the Risk Early Determination Committee and appointed an Interior Audit Specialist in order to minimize the risks effects about stakeholders and to keep efficiency of interior audit systems within operational activities and information systems process. Information on works done by the Risk Early Determination Committee in 2013 is in “the “Compliance Report for Corporate Management Principles”.

The General Assembly of the Company has convened twice within the year as ordinary and extraordinary, the detailed information of these meetings is in “the Compliance Report for Corporate Management Principles”.

The Board of Directors has convened three times within the year, all members have attended to the said meetings.

It has been presented information on tasks outside company of Board members and independency statements, members of committees formed within the Board of Directors, meeting frequencies, continuing activities, information on working principles and efficiencies in “the Compliance Report for Corporate Management Principles” for your opinion.

There is no any change on legislation related to the activity field of our company which may impress our activities importantly within the year.

In Section IV – Stakeholders of “the Compliance Report for Corporate Management Principles” of our Activity Report, there is information on principles related to employees and our activities generating environmental results and our corporate social responsibilities.

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Currently, our trade subjects operating with related parties are the purchasing of royalty services, purchasing of spare parts and sales of commodities reciprocally, as of 31 December 2013, volume of this trade, ratio of purchasing operations to cost of sold commodities is 0,9% (nine tenths percent) and ratio of selling operations to our sales is 0,3% (three tenths percent) and there is detailed information at footnotes (note.26) enclosed to the financial statements.

Our principles on common and continuous commercial operations with related parties;

- The goods and services to be bought during the purchase operations should have the requested specifications; should provide the expected quality and performance; it should deserve the researched qualifications in consequence of election from minimum three suppliers synchronously including price and payment conditions in accordance with our purchase procedures.
- In consideration of price, volume, payment conditions and continuity of business on the sales operations; it should have minimum similar sales conditions or be advantageous.

On condition that it is not gone out our principles above-mentioned, our Board of Directors has resolved to continue current commercial operations with the related parties.

On 19 June 2013, the Board of Directors has resolved to gather General Management of the Company in Kocaeli, Dilovası and Head Office in Istanbul/Dudullu under a single roof at a new office building to be rented in Anatolian side of Istanbul, to authorize the Management of the Company for performing all operations including registration and announcement of the new Head Office of the Company, as of 31 October 2013, new head office of the company has been registered as ‘Altayçeşme Mahallesi Öz Sokak No.19 Kat:6, 34843 Maltepe – Istanbul to the Trade Registry Office and the moving operation has been completed.

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.

Our managers who are still in charge are listed below.

<b><u>NAME- SURNAME</u></b>	<b><u>DUTY</u></b>
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



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ÖNER TORUN	BUDGET AND FINANCING MANAGER
NEJDET AVCI	INFORMATION SYSTEM MANAGER
EŞREF BİNGÖL	RESEARCH&DEVELOPMENT 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
MUSTAFA RÜŞTÜ UZ	1. DISTRICT SALES MANAGER
BÜLENT YILDIZ	2. DISTRICT SALES MANAGER
SERHAT SERKAN	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

**DİLOVASI STONE WOOL PRODUCTION FACILITY**

ÖMER MEHMET ARUN	OPERATING MANAGER (STONE WOOL)
OLCAY YULTAY	PRODUCTION MANAGER (STONE WOOL)
GÖKHAN SERİN	QUALITY ASSURANCE MANAGER

**DİLOVASI GEBKİM STYROPOR AND FOAMBOARD PRODUCTION FACILITIES**

MEHMET BEZZAZOĞLU	OPERATING MANAGER (PLASTICS/ TEKİZ)
İLHAN KARAAĞAÇ	FOAMBOARD PRODUCTION MANAGER

**DİLOVASI GEBKİM TEKİZ PANEL PRODUCTION FACILITY**

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

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**TARSUS GLASS WOOL PRODUCTION AND FOAMBOARD FACILITIES**

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

**ESKİSEHIR RUBBER AND POLYETHYLENE PRODUCTION FACILITY**

SAİT TAŞÇI	PRODUCTION MANAGER
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An increase of 146.083,-TL has occurred in our benefit obligation calculated according to the Notifications of Capital Market Board as of 31.12.2013 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 2013, 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**

According to communiqué of the Capital Market Board with no. II.14.1, as seen from financial statements and footnotes prepared as of 31.12.2013, we have TL 27.019.305,00 net period profit in our income statement and gained profit TL 23.798.178,36 in accordance with the legal records.

To distribute 30.211.025,07 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 TL 9.633.326,48 part (TL 6.412.199,84 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:

(TL)	Profit Distribution According to Capital Markets Law	Profit Distribution According to Legal Records
1 <sup>st</sup> tier legal reserves	--	--
Dividend	30.211.025,07	30.211.025,07
2 <sup>nd</sup> tier legal reserves	3.220.479,77	3.220.479,77
Total	33.431.504,84	33.431.504,84

**Sources of the distributed amounts**

Distributed from the profit of 2013	27.019.305,00	23.798.178,36
From extraordinary reserves	6.412.199,84	9.633.326,48
Total distributed amount	33.431.504,84	33.431.504,84

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thereby to pay 1,2313869 TL gross=net cash dividends for the share certificates which are at the rate of 123,13869 % 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 1,2313869 TL and net 1,0466789 TL cash dividends for the share certificates which are at the rate of 123,13869 % gross and 104,66789 % 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, 2014 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.

**GIANNI SCOTTI**  
Chairman of the Board

**SAMIR KASEM**  
Vice Chairman of the Board

**ARNAUD MOISSET**  
Member

**ROBERT ETMAN**  
Member

**GÜLSÜM AZERİ**  
Member

**POL ZAZADZE**  
Member

**ARİF NURİ BULUT**  
Member