

(Convenience translation of financial statements originally issued
in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ A.Ş.

**INTERIM FINANCIAL STATEMENTS AND LIMITED
REVIEW REPORT AS OF AND FOR THE PERIOD
ENDED JUNE 30, 2016**

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

For the period between January 1 – June 30, 2016

Review Report on the Condensed Interim Financial Information

To the Board of Directors of İzocam Ticaret ve Sanayi A.Ş.

Introduction

We have reviewed the accompanying financial statements of İzocam Ticaret ve Sanayi A.Ş. (“the Company”) as of June 30, 2016, which comprise the interim statement of financial position and statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six-month-period then ended. The management of the Company is responsible for the preparation and fair presentation of these interim financial information in accordance with Turkish Accounting Standards 34 Interim Financial Reporting (“TAS 34”). Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements “(SRE)” 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim condensed financial information is substantially less in scope than independent audit performed in accordance with the Turkish Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which may cause us to believe that the accompanying interim condensed financial information are not prepared, in all material respects, in accordance with TAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ethem Kutucular, SMMM
Engagement Partner

August 8, 2016
İstanbul, Turkey

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

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(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

INTERIM STATEMENT FINANCIAL POSITION FOR THE PERIOD ENDED JUNE 30, 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

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

		Reviewed	Audited
		Current period	Prior Period
	Note	June 30, 2016	December 31, 2015
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	15.408.553	8.550.175
Trade Receivables	6	107.896.246	105.577.024
<i>Due From Related Parties</i>	3	248.079	594.290
<i>Due From Third Parties</i>	6	107.648.167	104.982.734
Inventories	7	45.165.227	34.301.646
Prepaid Expenses		3.776.756	3.363.799
Other Current Assets		5.413.649	1.434.689
TOTAL CURRENT ASSETS		177.660.431	153.227.333
Non-Current Assets			
Other Receivables		13.302	13.022
<i>Due From Third Parties</i>		13.302	13.022
Property, Plant and Equipment, net	8	93.170.408	87.572.797
Intangible Assets, net	8	291.482	111.958
<i>Other Intangible Assets</i>	8	291.482	111.958
Prepaid Expenses		15.542.062	7.553.729
Deferred Tax Asset	14	66.114	-
Other Non-Current Assets		36.345	14.612
TOTAL NON-CURRENT ASSETS		109.119.713	95.266.118
TOTAL ASSETS		286.780.144	248.493.451
LIABILITIES			
Current Liabilities			
Financial Liabilities	5	71.729.288	20.558.313
Trade Payables	6	38.389.180	39.970.785
<i>Due To Related Parties</i>	3	1.054.240	527.205
<i>Third Party Payables</i>	6	37.334.940	39.443.580
Employee Benefit Obligations		3.371.089	5.286.288
Other Payables		14.468	19.613
<i>Third Party Payables</i>		14.468	19.613
Deferred Income		11.094.154	15.793.819
Current Tax Liability	14	485.061	1.536.588
Short Term Provisions		116.265	166.967
<i>Other Short-Term Provisions</i>		116.265	166.967
Other Current Liabilities		542.494	553.174
TOTAL CURRENT LIABILITIES		125.741.999	83.885.547
Non-Current Liabilities			
Long Term Provisions		12.111.642	9.145.537
<i>Provision For Long Term Employee Benefits</i>		12.111.642	9.145.537
Deferred Tax Liabilities	14	-	409.005
TOTAL NON-CURRENT LIABILITIES		12.111.642	9.554.542
EQUITY			
Paid-in Capital	10	24.534.143	24.534.143
Adjustment on Capital	10	25.856.460	25.856.460
Share Premiums		1.092	1.092
Other Comprehensive Income / Expense Not to be Reclassified to Profit or Losses			
<i>Defined Benefit Remeasurement Profit /(Losses)</i>		(3.958.013)	(2.325.609)
Restricted Reserves On Retained Earnings		69.700.600	41.544.510
Retained Earnings		24.386.676	37.820.235
Net Profit For The Period		8.405.545	27.622.531
TOTAL EQUITY		148.926.503	155.053.362
TOTAL LIABILITIES AND EQUITY		286.780.144	248.493.451

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2016

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

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

	Notes	Reviewed		Reviewed	
		Current period January 1 - June 30, 2016	Current period April 1 - June 30, 2016	Prior period January 1 - June 30, 2015	Prior period April 1 - June 30, 2015
Revenues	11	186.179.127	95.691.628	176.282.380	96.841.354
Cost of sales (-)	11	(146.401.252)	(75.590.084)	(135.727.161)	(74.219.014)
GROSS PROFIT		39.777.875	20.101.544	40.555.219	22.622.340
Selling, marketing and distribution expenses (-)	12	(21.428.654)	(10.732.290)	(19.012.038)	(9.748.156)
Administrative expenses (-)	12	(6.712.896)	(4.148.159)	(8.237.674)	(3.963.704)
Other operating income		3.948.338	1.485.619	4.296.185	2.041.023
Other operating expense (-)		(145.304)	(3.017)	(296.630)	(15.642)
OPERATING PROFIT		15.439.359	6.703.697	17.305.062	10.935.861
Expense from investing activities	13	(12.901)	(8.343)	(4.371)	(4.371)
OPERATING PROFIT BEFORE FINANCE EXPENSE		15.426.458	6.695.354	17.300.691	10.931.490
Finance income		143.725	95.205	558.212	(56.811)
Finance expense (-)		(5.044.231)	(1.995.640)	(2.552.305)	(1.833.262)
OPERATING PROFIT BEFORE TAX		10.525.952	4.794.919	15.306.598	9.041.417
Operating tax income/(expenses)		(2.120.407)	(986.499)	(3.200.868)	(1.879.430)
Income tax income/(expense)	14	(2.187.425)	(882.150)	(3.626.966)	(2.000.128)
Deferred tax benefit	14	67.018	(104.349)	426.098	120.698
OPERATING PROFIT FOR THE PERIOD		8.405.545	3.808.420	12.105.730	7.161.987
Earnings per share					
Earnings per share from continuing operations		0,003	0,002	0,005	0,003
Diluted earnings per share					
Diluted earnings per share from continuing operations		0,003	0,002	0,005	0,003
OTHER COMPREHENSIVE INCOME					
Items that will never be classified to profit or loss					
Defined Benefit Remeasurement Profit/(Losses)		(2.040.505)	(263.817)	667.254	118.493
Tax effect of remeasurements of defined benefit	14	408.101	52.763	(133.451)	(23.699)
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		(1.632.404)	(211.054)	533.803	94.794
TOTAL COMPREHENSIVE INCOME		6.773.141	3.597.366	12.639.533	7.256.781

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2016

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

	Notes	Paid-in capital	Adjustment on capital	Share premiums	Other comprehensive income/expense not to be reclassified to profit or loss	Restricted reserves on retained earnings	Accumulated profits		Total equity
					Defined benefit remeasurement profit /(losses)		Retained earnings	Net profit for the period	
January 1, 2015 (Audited)		24.534.143	25.856.460	1.092	(3.311.111)	35.730.705	35.293.660	67.705.125	185.810.074
Transfers		-	-	-	-	5.813.805	61.891.320	(67.705.125)	-
Dividends		-	-	-	-	-	(59.364.745)	-	(59.364.745)
Total comprehensive income		-	-	-	533.803	-	-	12.105.730	12.639.533
<i>Other comprehensive income</i>		-	-	-	<i>533.803</i>	-	-	-	<i>533.803</i>
<i>Net profit for the period</i>		-	-	-	-	-	-	<i>12.105.730</i>	<i>12.105.730</i>
June 30, 2015 (Reviewed)		24.534.143	25.856.460	1.092	(2.777.308)	41.544.510	37.820.235	12.105.730	139.084.862
January 1, 2016 (Audited)		24.534.143	25.856.460	1.092	(2.325.609)	41.544.510	37.820.235	27.622.531	155.053.362
Transfers		-	-	-	-	28.156.090	(533.559)	(27.622.531)	-
Dividends	10	-	-	-	-	-	(12.900.000)	-	(12.900.000)
Total comprehensive income		-	-	-	(1.632.404)	-	-	8.405.545	6.773.141
<i>Other comprehensive income</i>		-	-	-	<i>(1.632.404)</i>	-	-	-	<i>(1.632.404)</i>
<i>Net profit for the period</i>		-	-	-	-	-	-	<i>8.405.545</i>	<i>8.405.545</i>
June 30, 2016 (Reviewed)		24.534.143	25.856.460	1.092	(3.958.013)	69.700.600	24.386.676	8.405.545	148.926.503

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

INTERIM STATEMENT OF CASH FLOW FOR THE PERIOD ENDED JUNE 30, 2016

(Amount expressed in TL unless otherwise stated.)

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

		Reviewed Current period	Reviewed Prior period
	Notes	January 1– June 30, 2016	January 1– June 30, 2015
A. CASH FLOW FROM OPERATING ACTIVITIES		(20.407.804)	28.242.278
Net Profit		8.405.545	12.105.730
Adjustments for reconciliation of profit/loss for the period		11.881.263	15.643.184
- Adjustment for depreciation and amortization		5.383.810	5.205.781
- Adjustment for allowance for bad debt receivables	6	(49.173)	62.795
- Adjustment for provision for employee benefits		995.908	755.665
- Adjustment for other non-monetary provisions		1.989.428	8.922.810
- Adjustment for interest income		(3.155.019)	(4.043.522)
- Adjustment for interest expense		4.583.001	1.534.416
- Adjustment for tax expense/(income)		2.120.407	3.200.868
- Adjustment for (gains)/losses on sale of property, plant and equipment, net	13	12.901	4.371
Changes in working capital		(32.817.828)	10.507.278
- Adjustment for (increase)/decrease on trade receivables		(2.270.049)	11.263.647
- Adjustment for (increase)/decrease on stocks		(10.585.743)	(11.402.109)
- Adjustment for increase/(decrease) on prepaid expenses		(8.401.290)	(3.625.855)
- Adjustment for increase/(decrease) on trade payables		(1.581.605)	10.800.154
- Adjustment for other (increase)/decrease in working capital		(9.979.141)	3.471.441
Employee severance indemnity paid		(419.730)	(213.003)
Provisions paid		(2.692.651)	(6.266.037)
Tax payments		(3.238.952)	(3.201.526)
Other cash inflows (outflows)		(1.525.451)	(333.348)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(11.451.682)	(3.353.003)
Proceeds from the sale of property, plant and equipment		50.148	9.369
Acquisition of property, plant and equipment	8	(11.501.830)	(3.362.372)
C. CASH FLOWS FROM FINANCING ACTIVITIES		37.192.289	(26.359.622)
Cash inflows from loans		71.729.288	50.183.258
Cash outflow due to repayment of loans		(20.558.313)	(16.870.466)
Dividend paid	10	(12.900.000)	(59.364.745)
Interest paid		(4.233.579)	(864.646)
Interest received		3.154.893	556.977
Net increase/(decrease) in cash and cash equivalents (A+B+C)		5.332.803	(1.470.347)
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		829.002	35.963.554
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D)	4	6.161.805	34.493.207

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016

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

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

İzocam Ticaret ve Sanayi Anonim Şirketi (“İzocam” or the “Company”) was established in 1965 in order to operate in production, importation and exportation of glass wool, stone wool, mineral wool, glass fiber, expanded and extruded polystyrenes, elastomeric rubber, polyethylene, insulated and no insulated roof and front panels, partition and mezzanine.

As at June 30, 2016, 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 (“BİST”) 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 3). The Company is registered at Capital Market Board of Turkey (“CMB”) and its shares are listed in BİST since 26 December 1985. As at June 30, 2016, 38,84 percent of the shares are publicly traded at BİST (December 31, 2015: 38,84%).

As of June 30, 2016, total number of employees of the Company is an average basis 446 (December 31, 2015: 458) including 214 white color employees (December 31, 2015: 218) and 232 blue color employees (December 31, 2015: 240).

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

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Accompanying condensed financial statements are prepared in accordance with Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) together with the provisions of accordance with to CMB’s “Principles of Financial Reporting in Capital Market” dated 13 June 2015 and published in the Official Gazette numbered 28676 Series II. No.14.1. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and related addendums and interpretations to these standards.

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

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

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

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

2.1 Basis of presentation (continued)

For the period ended June 30, 2016, the Company prepared its financial statements in accordance with the Turkish Accounting Standard No.34 “Interim Financial Reporting”.

Interim condensed financial statements of the Company do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Company’s annual financial statements as of December 31, 2015.

Company’s condensed financial statements for period ended June 30, 2016, was authorized for issue by the Board of Directors of the Company on August 8, 2016.

Convenience translation into English of financial statements originally issued in Turkish

As at June 30, 2016, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed financial statements as at June 30, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Company.

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

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

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

2.2 New and amended standards and interpretations (continued)

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Company.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
 - In accordance with IFRS 9,
- Or
- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

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

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

2.2 New and amended standards and interpretations (continued)

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

Amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

The amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the interim condensed financial statements of the Company.

Annual Improvements to TFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

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

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

2.2 New and amended standards and interpretations (continued)

Annual Improvements to TFRSs - 2012-2014 Cycle

- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendment did not have any impact on the financial position or performance of the Company.

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

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

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

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

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

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

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

2.2 New and amended standards and interpretations (continued)

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

(Amount expressed in TL unless otherwise stated.

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

2.2 New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments - Final standard (2014)

The IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

(Amount expressed in TL unless otherwise stated.
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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 New and amended standards and interpretations (continued)

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

(Amount expressed in TL unless otherwise stated.)

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NOTE 3 – RELATED PARTIES

a) Due from related parties

As of June 30, 2016 and December 31, 2015 due from related parties comprised the following:

	June 30, 2016	December 31, 2015
Saint-Gobain Weber Yapı Kimyasalları Sanayi Ticaret A.Ş. (*)	113.177	135.183
Saint Gobain Isover (*)	86.416	-
Saint-Gobain Adfors CZ S.R.O. (*)	34.229	20.695
Saint-Gobain Ppc Italia S.P.A. (*)	9.544	35.044
Saint-Gobain Isover CRIR (*)	3.089	309.389
Saint Gobain İnovatif Malz. ve Aşındırıcı Sanayi ve Ticaret A.Ş. (*)	1.624	3.190
Saint Gobain Recherche (*)	-	70.315
Kuwait Insulating Material MFG CO. (*)	-	20.474
	248.079	594.290

b) Due to related parties

As at June 30, 2016 and December 31, 2015 due to related parties comprised the following:

	June 30, 2016	December 31, 2015
Saint Gobain Isover SA (*)	468.601	177.811
Grunzweig Hartman AG (*)	198.798	160.003
Saint Gobain Adfors CZ Glass Mat S.R.O.	195.417	107.416
Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*)	191.424	81.975
	1.054.240	527.205

c) Sales to related parties

For the period ended June 30, 2016 and June 30, 2015 significant sales transactions to related parties comprised the following:

	January 1 – June 30, 2016	April 1 – June 30, 2016	January 1 – June 30, 2015	April 1 – June 30, 2015
Saint Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret A.Ş. (*)	107.264	76.256	453.238	283.662
Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*)	35.882	-	61.420	31.669
Saint-Gobain Ppc Italia S.P.A. (*)	9.544	-	-	-
Saint Gobain İnovatif Malzemeleri ve Aşındırıcı Sanayi ve Ticaret A.Ş. (*)	1.376	1.059	36	-
Kuwait Insulating Material Mfg. Co. (*)	-	-	14.954	14.954
	154.066	77.315	529.648	330.285

(*) Companies controlled by the venturers of the immediate parent

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

(Amount expressed in TL unless otherwise stated.
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NOTE 3 – RELATED PARTIES (CONTINUED)

d) Purchases from related parties

For the period ended June 30, 2016 and June 30, 2015 purchases from related parties comprised the following:

	January 1 – June 30, 2016	April 1 – June 30, 2016	January 1 – June 30, 2015	April 1 – June 30, 2015
Saint Gobain Isover (*)	1.202.651	825.097	-	-
Saint Gobain Adfors CZ Glass Mat S.R.O. (*)	1.134.332	821.968	-	-
Grunzweig Hartman AG (*)	953.494	526.991	633.695	216.739
Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*)	317.981	181.044	238.253	131.820
Saint-Gobain Ppc Italia S.P.A. (*)	29.698	-	-	-
Kuwait Insulating Material Mfg. Co. (*)	17.351	-	-	-
Saint Gobain Recherche (*)	15.484	-	-	-
Saint Gobain Isover SA (*)	4.082	-	938.198	468.972
	3.675.073	2.355.099	1.810.146	817.531

e) Remunerations to the top management

For the period ended June 30 2016 and June 30, 2015, remunerations to the top management are comprised the following:

	January 1 – June 30, 2016	April 1 – June 30, 2016	January 1 – June 30, 2015	April 1 – June 30, 2015
Short term benefits:				
(Salaries, premiums, housing, company cars, social securities, health insurance, vacation payments and etc.)	1.323.986	667.479	1.199.186	603.860
Long term benefits:				
(Retirement pay liability, provisions, vacation pay liability, long term premium plans and etc.)	875.566	(20.792)	766.001	(2.073)
Total	2.199.552	646.687	1.965.187	601.787

(*) Companies controlled by the venturers of the immediate parent

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

(Amount expressed in TL unless otherwise stated.
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NOTE 4 – CASH AND CASH EQUIVALENTS

As at June 30, 2016 and December 31, 2015 cash and cash equivalents comprised the following:

	June 30, 2016	December 31, 2015
Banks	5.325.420	624.994
-Demand deposits	170.535	11.542
-Time deposits	5.154.885	613.452
Cash at blockage (*)	9.246.622	7.721.171
Cheques at collection (**)	836.511	204.010
	15.408.553	8.550.175

(*) Cash at blockage consist of Direct Borrowing System ("DBS"). At March 17 2010, the Company has started to use Direct Borrowing System ("DBS"), a new method of collection of receivables. In accordance with the arrangements made with various banks, instead of the Company, banks set a credit limit to customers and the collection is performed by the bank. Following the collection, the bank retains the payments received at blockage for one day. As of June 30, 2016, TL 5.765.406 of cash blockage amount mainly comprised of the credit card receivables with a maturity less than 3 months (December 31, 2015: TL 5.029.608).

(**) Cheques in collection are composed of the cheques which have not been transferred to the company's bank deposits accounts as at June 30, 2016 or before June 30, 2016.

As at June 30, 2016 and December 31 2016, demand deposits comprised the following currencies;

	Time Deposit		Demand deposit	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
US Dollars ("USD")	3.280.312	350.234	27.430	-
European Union Currency ("EURO")	1.874.573	263.218	-	1.740
TL	-	-	143.105	9.802
	5.154.885	613.452	170.535	11.542

As of June 30, 2016, the effective interest rates of USD and Euro denominated time deposits are 0,50% and 0,18%, respectively (December 31, 2015, the effective interest rates of USD and Euro denominated time deposits are 0,10%).

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 six months. Cash and cash equivalents included in the statement of cash flows for the period ended June 30, 2016 and June 30, 2015 are comprised the followings:

	January 1 - June 30, 2016	January 1 - June 30, 2015
Cash and cash equivalents	15.408.553	37.612.429
Less: Cash at blockage	(9.246.622)	(3.117.987)
Less: Interest accruals	(126)	(1.235)
	6.161.805	34.493.207

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

(Amount expressed in TL unless otherwise stated.
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NOTE 5 – FINANCIAL LIABILITIES

As at June 30, 2016 and December 31, 2015 bank borrowings comprised the followings:

	June 30, 2016	December 31, 2015
Bank borrowings (*)	66.704.153	14.169.440
TL	66.704.153	14.169.440
Factoring loans (**)	5.025.135	6.388.873
USD	5.025.135	5.641.480
Euro	-	747.393
	71.729.288	20.558.313

- (*) As of June 30, 2016, all of the outstanding bank borrowings are denominated in TL and the effective interest rate of bank borrowings is 11,6% (December 31, 2015: 12,24%).
- (*) 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. As of June 30, 2016, the effective interest rate of USD factoring loans are 2,10% (December 31, 2015: 2,10%).

NOTE 6 – ACCOUNTS RECEIVABLE AND PAYABLE

a) Trade receivables

As at June 30, 2016, and December 31, 2015 short-term trade receivables comprised the followings:

	June 30, 2016	December 31, 2015
Accounts receivable	97.595.015	84.128.856
Notes receivable	10.301.231	21.448.168
Doubtful receivables	1.477.008	1.526.181
Less: Allowance for doubtful receivables	(1.477.008)	(1.526.181)
	107.896.246	105.577.024

As at June 30, 2016, TL 248.079 of accounts receivable comprised due from related parties (December 31, 2015: TL 594.290) which disclosed in Note 3 in detail.

Average collection period of trade receivables is 91 days (December 31, 2015: 87 days) which may change according to the type of the product and the terms of the agreement with the customer.

For the period ended, June 30, 2016 and 2015 the movement of allowance for doubtful receivables comprised the followings:

	2016	2015
January 1, opening balance	1.526.181	1.455.078
Provision for the year	11.886	62.795
Write offs	(61.059)	-
June 30, closing balance	1.477.008	1.517.873

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

(Amount expressed in TL unless otherwise stated.
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NOTE 6 – ACCOUNTS RECEIVABLE AND PAYABLE (CONTINUED)

b) Trade Payable

As at June 30, 2016, trade payables amount to TL 38.389.180 (December 31, 2015: TL 39.970.785) arising from accounts payable to various suppliers and average payment term is 40 days (December 31, 2015: 35 days).

As at June 30, 2016, TL 1.054.240 of trade payables comprised due to related parties (December 31, 2015: TL 527.205) which disclosed in Note 3 in detail.

NOTE 7 – INVENTORIES

As at June 30, 2016, and December 31, 2015 inventories comprised the following:

	June 30, 2016	December 31, 2015
Raw materials and supplies	34.602.945	24.746.091
Finished goods	9.232.049	9.036.587
Trading goods	656.949	518.968
Goods-in-transit	673.284	-
	45.165.227	34.301.646

As at June 30, 2016 and December 31, 2015 inventories are accounted at cost and none of the inventories were recognized at its net realizable value.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the six month period ended June 30, 2016 is TL 11.495.941 (June 30, 2015 – TL 3.362.372). During the current period, transfer amount to tangible assets from construction in progress is TL 7.612.685.

The amount of tangible and intangible assets sold during the six month period ended June 30, 2016 is TL 63.049 (June 30, 2015 – TL 13.740).

For the period ended June 30, 2016, depreciation expenses amounting to TL 5.131.869 (June 30, 2015: TL 5.057.953) has been recognized under cost of sales, TL 251.941 (June 30, 2015: TL 147.828) has been included under administrative expenses and TL 277.838 (June 30, 2015: TL 286.627) has been capitalized on stocks.

As at June 30, 2016, the amount of tangible and intangible assets with zero net book value which are still in use and kept in the accounting records is TL 158.736.362 (December 31, 2015: TL 155.865.310).

As of June 30, 2016 and December 31, 2015, there are no assets pledged as collateral.

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İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

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NOTE 9– COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

As at June 30, 2016 and December 31, 2015, guarantees, pledges or mortgages ("GPM") given are as follows:

	June 30, 2016	December 31, 2015
A. Commitments given in the name of own legal Entity	9.305.197	16.879.261
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	9.305.197	16.879.261

As of June 30, 2016 and December 31, 2015 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.

As at June 30, 2016 and December 31, 2015 non-cancellable operating lease rentals payable are as follows:

	June 30, 2016	December 31, 2015
1 st year	308.699	550.557
2 nd year	617.398	538.260
3 rd year	463.049	403.695
Total	1.389.146	1.492.512

As at June 30, 2016, 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.

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

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NOTE 10 – EQUITY

a) Paid-in Capital / Inflation Adjustment on Capital

As at June 30, 2016, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (December 31, 2015: 2.453.414.335 shares) of kr 1 each. There are no privileges rights provided to different shareholder groups or individuals. The shareholder structure of the Company is as follows:

	June 30, 2016		December 31, 2015	
	Shares	Ownership interest %	Shares	Ownership interest %
İzocam Holding	15.004.304	61,16	15.004.304	61,16
İzocam Holding (Publicly traded)	8.320.173	33,91	8.320.173	33,91
Other (Publicly traded)	1.209.666	4,93	1.209.666	4,93
	24.534.143	100,00	24.534.143	100,00
Adjustment on Capital	25.856.460		25.856.460	
	50.390.603		50.390.603	

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

b) Dividend Distribution

In the Ordinary General Assembly held on 22 March 2016, it has been decided to distribute dividend amounting to TL 12.900.000 and with respect to the decision, respectively TL 7.894.405 and TL 5.005.595 is distributed by the Company on 28 March 2016 and on 30 March 2016.

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NOTE 11 – REVENUE AND COST OF SALES

For the periods ended June 30, revenue and cost of sales comprised the following:

	January 1 – June 30, 2016	April 1 – June 30, 2016	January 1 – June 30, 2015	April 1 – June 30, 2015
Domestic sales	155.873.932	80.000.122	148.005.475	82.142.525
Export sales	32.983.509	16.595.898	32.367.765	16.932.339
Other	6.789.964	3.735.925	6.695.501	3.618.388
Gross sales	195.647.405	100.331.945	187.068.741	102.693.252
Less: Sales returns and discounts	(9.468.278)	(4.640.317)	(10.786.361)	(5.851.898)
Net sales	186.179.127	95.691.628	176.282.380	96.841.354
Less: Cost of sales	(146.401.252)	(75.590.084)	(135.727.161)	(74.219.014)
Gross profit	39.777.875	20.101.544	40.555.219	22.622.340

For the periods ended June 30, the nature of the cost of sales comprised the following:

	January 1 – June 30, 2016	April 1 – June 30, 2016	January 1 – June 30, 2015	April 1 – June 30, 2015
Raw materials and consumables	130.306.160	62.805.714	121.941.976	65.874.550
Personnel	11.585.992	5.796.969	10.727.351	5.450.844
Depreciation	4.842.543	2.713.663	5.057.953	2.838.174
Changes in inventory	(333.443)	4.273.738	(2.000.119)	55.446
Cost of Sales	146.401.252	75.590.084	135.727.161	74.219.014

NOTE 12 – EXPENSE BY NATURE

a) Marketing, sales and distribution expenses

For the periods ended June 30, marketing expenses comprised the following:

	January 1 – June 30, 2016	April 1 – June 30, 2016	January 1 – June 30, 2015	April 1 – June 30, 2015
Freight	7.948.380	4.232.921	7.686.459	4.086.355
Personnel	4.362.348	2.230.337	3.951.300	2.005.822
Storage	2.767.481	1.213.054	1.409.627	714.461
License	1.690.342	741.554	1.664.657	742.897
Dealer and meeting expenditures	1.434.000	717.000	766.448	383.224
Advertisement	707.339	335.291	1.357.002	678.501
Rent	416.854	207.211	356.328	190.525
Sales commissions	396.200	161.075	314.446	177.462
Transportation	348.624	180.848	369.981	200.751
Exhibition and fair	264.498	132.249	247.500	123.751
Collateral expenses	259.115	136.012	240.309	94.534
Travel expenses	203.386	129.631	186.920	129.287
Other	630.087	315.107	461.061	220.588
Total	21.428.654	10.732.290	19.012.038	9.748.158

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

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NOTE 12 – EXPENSE BY NATURE (CONTINUED)

b) Administrative expenses

For the periods ended June 30, 2016 and 2015, administrative expenses comprised the following:

	January 1 – June 30, 2016	April 1 – June 30, 2016	January 1 – June 30, 2015	April 1 – June 30, 2015
Personnel	3.973.129	2.717.777	5.217.826	2.432.076
Rent	404.931	199.320	357.011	190.550
Transportation	261.050	133.213	241.300	128.920
Depreciation and amortization	251.941	152.516	147.828	73.834
Duties, taxes and levies	246.269	149.641	183.658	99.113
Information technology	216.491	104.427	341.613	159.991
Subscription fees	198.788	105.423	212.490	105.466
Consultancy	126.119	44.021	104.486	36.697
Insurance expenses	112.089	51.741	151.494	126.907
Legal	92.743	53.004	105.832	56.663
Travel	87.627	36.344	77.183	45.489
Repair, maintenance and energy	72.075	25.253	65.562	25.452
Other	669.644	375.479	1.031.391	482.546
Total	6.712.896	4.148.159	8.237.674	3.963.704

NOTE 13 – INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES

For the periods ended June 30, 2016 and 2015, investment income/expense comprised the following:

	January 1 – June 30, 2016	April 1 – June 30, 2016	January 1 – June 30, 2015	April 1 – June 30, 2015
Loss on sale of fixed assets, net	12.901	8.343	4.371	4.371
Expense from investing activities	12.901	8.343	4.371	4.371

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

(Amount expressed in TL unless otherwise stated.

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

NOTE 14 – INCOME TAX

As at June 30, 2016 and December 31, 2015 total tax liability comprised the following:

	June 30, 2016	December 31, 2015
Corporate tax provision	2.187.425	7.687.689
Prepaid taxes	(1.702.364)	(6.151.101)
Current tax liability	485.061	1.536.588

Deferred tax movements as of June 30, 2016 and 2015 are as follows:

	2016	2015
January 1, opening balance	409.005	734.774
Deferred tax in other comprehensive income	(408.101)	133.451
Deferred tax expense/(income)	(67.018)	(426.098)
June 30, closing balance	(66.114)	442.127

For the periods ended June 30, 2016 and 2015, taxation charge in the profit or loss comprised the following:

	January 1 – June 30, 2016	April 1 – June 30, 2016	January 1 – June 30, 2015	April 1 – June 30, 2015
Current tax	(2.187.425)	(882.150)	(3.626.966)	(2.000.128)
Deferred tax credit	67.018	(104.349)	426.098	120.698
	(2.120.407)	(986.499)	(3.200.868)	(1.879.430)

Taxes recognized in other comprehensive income

	January 1 - June 30, 2016	January 1 - June 30, 2015
Tax effect of re-measurement loss on defined benefit plans	408.101	(133.451)
Tax income recognized in other comprehensive income	408.101	(133.451)

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

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(Amount expressed in TL unless otherwise stated.
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NOTE 14 – INCOME TAX (Continued)

Income tax calculated after fiscal period ended in June 30 is different from the amount which is calculated by implementing statutory tax rate on pretax income is shown below

	January 1 - June 30, 2016	January 1 - June 30, 2015
Profit before tax	10.525.952	15.306.598
Tax rate %	20	20
Taxes on reported profit per statutory tax	(2.105.190)	(3.061.320)
Disallowable expenses	(56.238)	(317.712)
Other	41.021	178.164
Tax expense	(2.120.407)	(3.200.868)

NOTE 15 – EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the period ended June 30, 2016 amounting to TL 8.405.545 (December 31, 2015: TL 27.622.531) to the weighted average of the shares during these periods,

	January 1 – June 30, 2016	January 1 - June 30, 2015
Earnings per share		
Net Profit	8.405.545	12.105.730
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335
Basic Earnings per share (Kr per share)	0,003	0,005
Diluted Earnings per share (Kr per share)	0,003	0,005

NOTE 16 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Currency risk

The Company is exposed to currency risk due to its export 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 exports since January 26, 2010. Thus, the Company collects foreign denominated receivables in TL prior to maturity.

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 June 30, 2016 and 2015, net position of the Company is resulted from foreign currency assets and liabilities:

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016 (CONTINUED)

(Amount expressed in TL unless otherwise stated.)

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NOTE 16 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk (continued)

	Currency Position					
	June 30, 2016			December 31, 2015		
	TL	USD	Euro	TL	USD	Euro
1. Trade receivables	7.725.775	2.228.535	398.604	9.647.105	2.787.942	484.921
2a. Monetary financial assets	5.326.870	1.193.087	584.994	2.960.518	927.073	83.383
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	102.042	-	31.844	70.315	-	22.128
4. Current Assets (1+2+3)	13.154.687	3.421.622	1.015.442	12.677.938	3.715.015	590.432
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)	13.154.687	3.421.622	1.015.442	12.677.938	3.715.015	590.432
10. Trade payables	(6.086.770)	(595.524)	(1.361.741)	(7.634.961)	(1.244.262)	(1.264.207)
11. Financial liabilities	(5.934.294)	(2.048.446)	(2.157)	(6.388.873)	(1.940.253)	(235.206)
12a. Monetary financial liabilities	(14.468)	(5.000)	-	(14.538)	(5.000)	-
12b. Non-monetary financial liabilities	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	(12.035.532)	(2.648.970)	(1.363.898)	(14.038.372)	(3.189.515)	(1.499.413)
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Monetary financial liabilities	-	-	-	-	-	-
16b. Non-monetary financial liabilities	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	-	-	-	-	-	-
18. Total Liabilities (13+17)	(12.035.532)	(2.648.970)	(1.363.898)	(14.038.372)	(3.189.515)	(1.499.413)
19. Off-Balance sheet financial derivative 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)	1.119.155	772.652	(348.456)	(1.360.434)	525.500	(908.981)
21. Monetary items net foreign currency asset (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	1.017.113	772.652	(380.300)	(1.430.749)	525.500	(931.109)
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	-	-	-	-	-	-

(Convenience translation of financial statements originally issued in Turkish – see Note 2.1)

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(Amount expressed in TL unless otherwise stated.
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NOTE 16 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk (continued)

As at June 30 2016 and December 31 2015 currency sensitivity analysis is as follow;

	Currency Sensitivity Analysis			
	June 30, 2016		December 31, 2015	
	Profit / (Loss)		Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	Assumption of devaluation/appreciation by 10% of USD against TL			
1- Net USD asset / (liability)	223.574	(223.574)	152.794	(152.794)
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- Net US Dollar effect (1+2)	223.574	(223.574)	152.794	(152.794)
	Assumption of devaluation/appreciation by 10% of Euro against TL			
4- Net EUR asset / (liability)	(121.863)	121.863	(295.869)	295.869
5- Part of hedged from EUR risk (-)	-	-	-	-
6- Net EUR effect (4+5)	(121.863)	121.863	(295.869)	295.869
	Assumption of devaluation/appreciation by 10% of other currencies against TL			
7- Other currency net asset/liability	-	-	-	-
8- Part of hedged from other currency (-)	-	-	-	-
9- Net other currency effect (7+8)	-	-	-	-
TOTAL (3+6+9)	101.711	(101.711)	(143.075)	143.075

For the periods ended June 30, 2016 and 2015, total import and export of the Company comprised the following:

	June 30, 2016	June 30, 2015
Total exports	32.983.509	32.367.765
Total imports	56.161.842	45.185.871

NOTE 17 – SUBSEQUENT EVENTS

None.
