İZOCAM®

TİCARET VE SANAYİ A.Ş.

48TH ORDINARY GENERAL ASSEMBLY MEETING

2012

Registered Capital:
60.000.000.-TL
(Sixty Million Turkish Lira)

Issued Capital:
24.534.143,35 TL
(Twentyfour million five hundred thirtyfourthousand one hundred fourtythree Turkish Lira thirtyfive Turkish Kuruş)

THE ANNUAL REPORT OF 48TH ORDINARY GENERAL ASSEMBLY MEETING HELD ON 25TH MARCH 2013 AT 10:00 HOURS IN SERMAYE PİYASASI LİSANSLAMA, SİCİL VE EĞİTİM KURULUŞU IN İSTANBUL, TÜRKİYE

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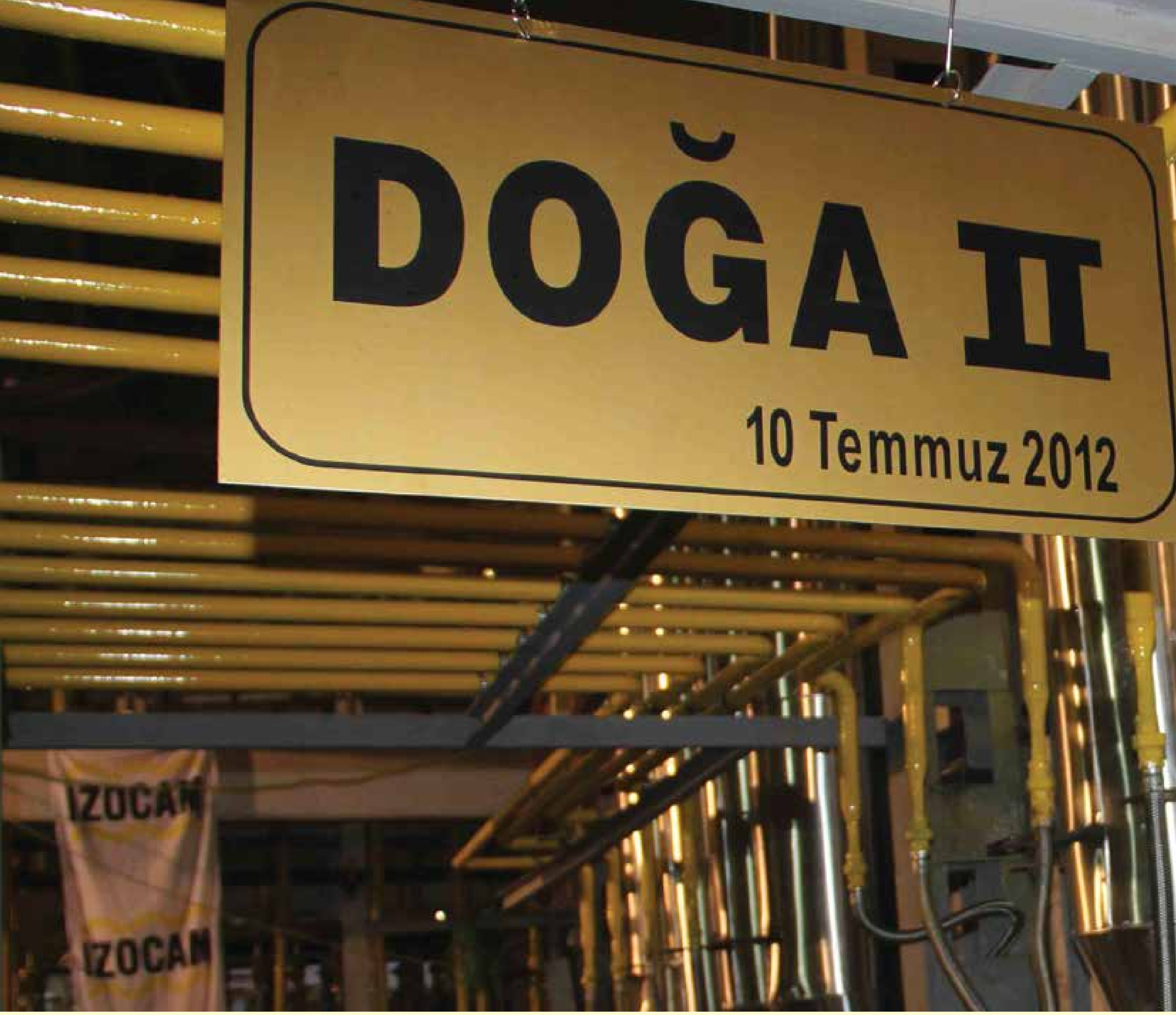

AGENDA

1. Opening ceremony and election of the Presidential Board,
2. Disclosure and discussion of the Board of Directors Report,
3. Disclosure and discussion of the Auditor’s Report,
4. Disclosure and discussion of the Independent Audit Report of Akis Bagımsız Denetim ve Serbest Muhasebeci Mali Müsavirlik AS (KPMG) pertaining to the activities and accounts of the year 2012
5. Disclosure and approval of Financial Statement of the year 2012,
6. Seperately releasing of the members of the Board of Directors and auditors pertaining to their activities in the reporting year 2012,
7. Approval, approval upon amendment or disapproval of the distribution of the dividends out of the profit of 2012 reporting year and of the proposed date for dividend distribution,
8. Determination of remuneration to be paid to the Chairman and Board members,
9. Approval of the changes made to the Board of Directors memberships according with the Turkish Commercial Code,
10. Determination of the total number of Board Members, the election of the Independent Board Members who are determined by Audit Committee together with the selection amendments of other Board Members and determination of their duty periods of Board Members.
11. Election of the auditor,
12. Informing the shareholders about the principles of remuneration of senior managers.

14. Provided that the required permits are received from the Capital Market Board and Republic of Turkey, Ministry of Customs and Trade; amendment of Article 7–Capital; Article 9-Capital Increase, Decrease and Capital Increases within the Registered Equity Ceiling, Preemptive Rights; Article-10 Re-Determination of the Registered Capital Amount; Article-13 Provisions Regarding the Board of Directors; Article-14 Administrative Council Meetings; Article-15 Binding the Company; Article–16 Auditors; Article-17 Authorities and Liabilities of Auditors; Article–18 General Meetings; Article-19 Meeting Place; Article–20 Quorum; Article–21 Commissioner; Article-22 Number of Votes; Article-23 Representation By Proxy; Article-24 Voting Method; Article-25 Declarations; Article-26 Main Contract Amendment; Article-27 Issuance of Bonds and Other Marketable Securities; Article–28 Transcripts to be Submitted to the Ministry; Article – 30 Profit Distribution Article; Article 30/A- Other Payments; Article-32 Annulment and Dissolution; with the following new form and the removal of the Article 31-Reserve Fund and Article 33-Arbitration And Jurisdiction; from the Articles of Association with the following new form.
15. Informing the General Assembly about the donations performed in the year 2012 to foundations and associations with social aid purposes.
16. Informing the shareholders about dividend distribution policy in accordance with the Corporate Governance Principles.
17. Authorization of the Board members as per Articles 395 and 396 of the Turkish Commercial Code in order to enable them to perform activities that fall within the scope of the Company’s business on their behalf or on behalf of third parties and to become shareholders to companies which perform such activities
18. Sign off the minutes of the General Assembly meeting by the Presidential Board.
19. Wishes

THIS IS THE DRAFT AMENDMENT OF ARTICLES 7, 9, 10, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 30, 30/A, 32 OF THE ARTICLES OF ASSOCIATION AND REMOVAL OF ARTICLES NUMBERED 31 AND 33.

OLD TEXT

Article 7 - CAPITAL

The Company has adopted the registered capital system pursuant to relevant provisions of the Law no: 2499 and permission of the Capital Market Board dated 28.9.1984 no: 291. Registered capital of the Company is YTL 60.000.000. (Sixty Million) divided into 6.000.000.000 (six billion) shares each with a par value of YKR 1(one).

Issued capital of the Company is YTL 24.534.143,35 (twenty-four million five hundred and thirty-four thousand one hundred and forty-three comma thirty-five). The capital increased this time in the amount of YTL 3.534.143,35 is met nominally by the equity capital of Tekiz Izolasyon ve Yapı Elemanları Sanayi A.S. taken over as a whole in accordance with Articles 37-39 of the Corporation Tax Law, Article 451 and other relevant articles of the Turkish Commercial Code and provisions of the Capital Market Board Legislation upon merger with the said firm that has been approved through the expert witness report issued under the decision of Kadıköy 4th Commercial Court of First instance dated 05.04.2005 merits no.2005/337 D. Is decision no:2005/337 D is and the report issued by Ernst & Young Güney Serbest Muhasebeci Mali Müşavirlik A.Ş.about the merger dated 15.04.2005.

353.414.335 registered share certificates to be issued due to the merger each with a par value of YKR 1 (disposition no.18) shall be distributed among the shareholders of Tekiz İzolasyon ve Yapı Elemanları Sanayi A.Ş. which shall be dissolved upon merger to be replaced with the share certificates of İzocam Ticaret ve Sanayi A.Ş.

Shares representing the capital are all registered share certificates. The Board of Directors is entitled to increase the issued capital by issuing paid or no-par shares and to unite the share certificates in denominations corresponding to more than one share when deems necessary in accordance with the provisions of Capital Market Act and other applicable Law. The Board of Directors may issued share certificates over the par value and restrict the rights of existing shareholder to acquire newly issued shares.

Temporary Article: Nominal value of a share which was TL1.000 formerly has been changed as YKR 1 under the Act no.5274 on Amendment of Turkish Commercial Code in consequence of which total number of shares is decreased so that one share with the par value of YKR 1 shall be replaced with one former share with the par value of TL 10.000 . Fraction vouchers shall be issued for the shares which cannot be rounded up to YKR 1. Rights of the shareholders arising from the shares they hold are reserved in relation with the said amendment.

As a result of the said amendment disposition no 12,13,14,15. and 16.share certificates shall be united with the disposition 17 and 353.414.335 share certificates to be issued due to the merger with Tekiz İzolasyon ve Yapı Elemanları A.Ş each with a par value of 1 YKR shall be issued under disposition no.18 rights of the shareholders arising from the shares they hold are reserved in relation with uniting of shares and dispositions.

Replacement of share certificates shall be commenced by the Board of Directors with the framework of relevant regulations upon implementation of the procedures relating to recording of Capital Market tools.

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NEW TEXT

Article 7 - CAPITAL:

The Company has adopted the registered capital system pursuant to relevant provisions of the Law no: 2499 and permission of the Capital Market Board dated 28.9.1984 no: 291. Registered capital of the Company is TL 60.000.000. (Sixty Million) divided into 6.000.000.000 (six billion) shares each with a par value of kr 1(one Kuruş).

The approval of Capital Markets Board for the registered capital is valid for 5 years period between 2013 and 2017. By the end of 2017, even though the allowed registered capital is not fulfilled, board should receive a new approval from Capital Board and have authorization from the general assembly in order to use the formerly approved registered capital or increasing the registered capital after 2017 and onwards. In case that approval is not received, the company is accepted to be out of registered capital system.

Issued capital of the Company is TL 24.534.143,35 (twenty-four million five hundred and thirty-four thousand one hundred and forty-three comma thirty-five). The capital increased this time in the amount of TL 3.534.143,35 is met nominally by the equity capital of Tekiz Izolasyon ve Yapı Elemanları Sanayi A.S. taken over as a whole in accordance with Articles 37-39 of the Corporation Tax Law, Article 451 and other relevant articles of the Turkish Commercial Code and provisions of the Capital Market Board Legislation upon merger with the said firm that has been approved through the expert witness report issued under the decision of Kadıköy 4th Commercial Court of First instance dated 05.04.2005 merits no.2005/337 D. Is decision no:2005/337 D is and the report issued by Ernst & Young Güney Serbest Muhasebeci Mali Müşavirlik A.Ş.about the merger dated 15.04.2005.

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Replacement of share certificates have been commenced by the Board of Directors with the framework of relevant regulations upon implementation of the procedures relating to recording of Capital Market tools.

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OLD TEXT

Article 9 - INCREASING AND DECREASING THE CAPITAL, CAPITAL INCREASE WITHIN THE REGISTERED CAPITAL CEILING, PREFERENTAL SUBSCRIPTION

Capital of the company may be increased or decreased in accordance with relevant provisions of Turkish Commercial Code and Capital Market Act. The Board of Directors is entitled to increase the issued capital up to the registered capital ceiling as per the provisions of Capital Market Act and related communiqués in case the capital is so increased by the Board of Directors existing shareholders shall have the right of preferential subscription in proportion with the number of shares they hold Article 394 of Turkish Commercial Code is applicable in connection with the use of preferential subscription right. The Board of Directors may issue share certificates over the nominal value and restrict the rights of existing shareholders to acquire newly issued shares.

Article 10 - RE-DETERMINATION OF REGISTERED CAPITAL AMOUNT:

In case the Board of Directors issues share certificates up to the registered capital ceiling permission of the Capital Market Board is obtained to re-determine the registered capital ceiling or change the amount of registered capital and the Articles of Association is amended accordingly.

Article 13 - PROVISION ON THE BOARD OF DIRECTORS

Rights, duties, liabilities and responsibilities of the Board of Directors, meeting way and quorum, election of the member, death or situations preventing the fulfillment of duties, elections made by the Board of Directors for emptied memberships, salaries and other issues regarding the Board of Directors shall take place in line with the provisions of the Turkish Commercial Code and Capital Markets Board Corporate Governance Principles. As per the law and Articles of Association, Board of Directors shall be entitled to accept all kinds of decisions except for issues decreed by the General Assembly.

The following issues are within the authority of the Board of Directors.

1- *To elect the executive director as per relevant articles of the Capital Market Law and Turkish Commercial Code, in the event that a member is determined and offered to be entitled to manage and sign when a duty distribution is required among the Board of Directors, to determine the member and directors to whom these authorities will be given,*

2- *To employ and discharge Company's General Director and Deputy General Directors, to determine their way of work and authorities, to determine and assign authorized signatories on behalf of the company and their authority degrees,*

3- *To make all kinds of agreements with banks and other credit institutions on behalf of the company and for obtaining all kinds of credits; to enter in lien and mortgage commitments for this purpose.*

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Article 13 - PROVISIONS REGARDING THE BOARD OF DIRECTORS:

Rights, duties, liabilities and responsibilities of the Board of Directors, meeting way and quorum, election of the member, death or situations preventing the fulfillment of duties, elections made by the Board of Directors for emptied memberships, salaries and other issues regarding the Board of Directors shall take place in line with the provisions of the Turkish Commercial Code and Capital Markets Board Corporate Governance Principles. As per the law and Articles of Association, Board of Directors shall be entitled to accept all kinds of decisions except for issues decreed by the General Assembly.

The following issues are within the authority of the Board of Directors.

1- *To elect the executive director as per relevant articles of the Capital Market Law and Turkish Commercial Code, in the event that a member is determined and offered to be entitled to manage and sign when a duty distribution is required among the Board of Directors, to determine the member and directors to whom these authorities will be given,*

2- *To employ and discharge Company's General Director and Deputy General Directors, to determine their way of work and authorities, to determine and assign authorized signatories on behalf of the company and their authority degrees,*

3- *Purchase, sale, lease and mortgage of real estate on behalf of the Company.*

4- *To make all kinds of agreements with banks and other credit institutions on behalf of the company and for obtaining all kinds of credits; to enter in lien and mortgage commitments for this purpose.*

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OLD TEXT

Article 14 - BOARD MEETINGS:

The Board of Directors convenes as business of the Company necessitates Board meetings are held at the Company's head-office. However, a Board meeting can be held at another place upon proposal or consent of 2/3 of the Board members. Provisions of Article 330 of Turkish Commercial Code are reserved.

Article 15 - REPRESENTATION OF THE COMPANY

The Company is managed and represented by the Board of directors any document or contract to which the Company is a party requires signature/signatures of a signatory/signatories to be placed under the corporate seal for becoming valid. Signatories and degree of powers vested thereon are determined by the Board of Directors.

Article 16 - AUDITORS

Board of directors elects 1 to 3 auditors for each accounting year among the shareholders or externally when only one auditor is assigned a subsitute auditor is elected to take office in case of absence or disability of the principal auditor.

Article 17 - DUTIES AND OBLIGATIONS OF AUDITORS

Provisions of Turkish Commercial Code, are applicable in connection with duties, obligations and responsibilities of the auditors.

Remuneration of the auditors is determined by General assembly on a monthly or yearly basis.

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NEW TEXT

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The Board of Directors convenes as business of the Company necessitates Board meetings are held at the Company's head-office. However, a Board meeting can be held at another place upon proposal or consent of 2/3 of the Board members. Provisions of the Turkish Commercial Code are reserved.

Those who are entitled to participate in company's board meetings, may also participate in these meetings electronically in line with article 1527 of the Turkish Commercial Code. The Company may build the Electronic Meeting System which will enable right-holders to participate and vote in these meetings electronically in line with the provisions of the "Notification on Electronic Meetings Other Than Corporation General Assemblies in Commercial Companies" while it may also receive services from the systems created for this purpose. In meetings to be held, right-holders shall be made able to use their rights specified in the relevant legislation within the framework of the provisions of Notification through the system according to this provision of the articles of association or over the system through which support service will be received.

Article 15 - COMPANY MANAGEMENT AND REPRESENTATION:

The Company is managed and represented by the Board of directors any document or contract to which the Company is a party requires signature/signatures of a signatory/signatories to be placed under the corporate seal for becoming valid. Signatories and degree of powers vested thereon are determined by the Board of Directors. The Board of Directors may exercise its management and representation authority by itself, or it may delegate the management authority partially or fully to one or more Board members or third persons with an internal directive.

Article 16 - AUDITORS

Auditors shall be elected by the Company's General Assembly in line with the Capital Market Law and Turkish Code of Commerce notifications and legislations.

Article 17 - DUTIES AND OBLIGATIONS OF AUDITORS

Principles and procedures determined with the Turkish Code of Commerce, Capital Market Law and the notifications and legislations set by these laws shall be applied in issues related to the authorization, liabilities of auditors and auditing principles.

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OLD TEXT

Article 18 - GENERAL ASSEMBLY

General Assembly meetings shall be held ordinarily and extra-ordinarily. Ordinary meetings shall be held at least once a year within three months as of the end of each activity period. Extra-ordinary Assembly meetings can be held at any time when needed.

The notice of General Assembly Meetings should be performed in line with the regulations where in addition to those principles the Capital Markets Board Principles are also taken into account in order to reach maximum number of shareholders through the usage of electronic communication.

1- Discussing Significant Businesses in the General Assembly

Assignment of all or significant part of the assets by the Company or establishment of property rights on or leasing the same, being assigned a significant asset or lease the same, anticipating franchise or changing the scope or subject of the existing franchises, exiting from the exchange list are included in significant transactions in terms of implementation of Corporate Governance Principles of the Capital Market Board. Unless resolution of general assembly regarding significant transactions in accordance with the relevant legislation is required, in order the resolution of board of directors can be executed with regard to the mentioned transactions, the approval of the majority of independent members is required. However, in the case of lack of the approval of the majority of independent members in significant transactions and it is desired to perform the mentioned transactions despite the opposition of the majority of independent members, the transaction is submitted to the general assembly for approval. In this case, the reason for the opposition of the independent members of board of directors is publicized immediately, notified to the Capital Market Board and read in the general assembly meeting to be held. In the case those who are parties to the significant transactions are associated parties, the associated parties do not vote in the general assembly meetings. Quorum is not sought in the general assembly meetings held for the purpose of fulfilling the obligation specified in this article and resolution is made with the simple majority of the votes of those with voting right.

2- Associated Party Transactions and Discussing the Issues of Giving Mortgage-Pledge in the General Assembly

The approval of the majority of the independent members is sought in all sorts of associated party transactions of the company as well as in the resolutions of board of directors related to giving warranty, pledge and mortgage to the benefit of third parties. In the case the majority of the independent members do not approve the transaction in question; this case is publicized under the arrangements of enlightening the public and the transaction submitted to the general assembly for approval. In the mentioned general assembly meetings, the resolution is made with a voting procedure where the parties of the transaction and the persons associated to them shall not vote and participation of other shareholders in such resolutions in the general assembly. Meeting quorum is not sought in the general assembly meetings held for the situations specified in this paragraph. The resolution is made with the simple majority of the votes of those with voting right. The resolutions of board of directors and general assembly not taken in accordance with the principles specified in this paragraph are not deemed valid.

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3- Electronic Participation to General Assembly Meetings

The stockholders who are entitled to participate in the company's general assembly meetings may also participate in these meetings electronically as per the article 1527 of the Turkish Code of Commerce. The Company may set up the electronic general assembly meeting system which will enable stockholders to participate, express opinion, make suggestions and vote in these meetings electronically in line with the provisions of the Regulations on Electronic General Assembly Meetings in Corporations while it may also buy services from the systems developed for this purpose. In all general assembly meetings to be held, stockholders and their representatives shall be made able to use their rights specified in the relevant provisions of the mentioned Regulations over the system built according to this provision of the articles of association.

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OLD TEXT

Article 19 - VENUE OF MEETING:

The General Assembly meeting is held upon decision of the Board of Directors at any place of the city where the Company's head –office or factory is situated.

Article 20 - QUORUMS:

Ordinary and extra-ordinary General Assembly Meetings can be held with the quorum set forth in Turkish Commercial Code. On the other hand, quorum set forth in Article 372 of the Turkish Commercial Code is applicable for the General Assembly meeting to be held to discuss the matters mentioned in 2nd and 3rd paragraphs of Article 388 of the Code.

Article 21 - REPRESENTATİVE OF THE MINISTRY

General Assembly meetings is notified to the Ministry of Industry and Trade at least 20 days prior to the meeting date by submitting copies of the agenda and related documents. A representative of the Ministry of Industry and Trade should attend each meeting. Any General Assembly meeting held and/or decisions taken at such meetings without attendance of the Ministry's representative shall be null and void.

Article 22 - NUMBER OF VOTES:

Any shareholders or his/her proxy attending an Ordinary or Extraordinary General Assembly Meeting has one voting right for each share held.

Article 23 - REPRESENTATION BY PROXY:

In General Assembly meetings, regulations of Capital Market Board relating to voting are applicable. Shareholders not attending the Geneal Assembly meeting may have themselves represented by a proxy appointed among other shareholders or externally.

Article 24 - MODE OF VOTING:

In General Assembly meetings, voting is made by raising of hands unless otherwise is agreed upon.

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NEW TEXT

Article 19 - VENUE OF MEETING

The General Assembly meeting is held upon decision of the Board of Directors at the headquarters of the Company or at any place of the city where the Company's head–office or factory is situated

Article 20 - QUORUM:

Ordinary and Extraordinary General Assembly Meetings shall be held with the quorums accepted by the Capital Market Law and the Turkish Commercial Code and decisions shall be taken with the majority of votes that are presented in the meeting.

Article 21 - REPRESENTATİVE OF THE MINISTRY

In Ordinary and Extraordinary General Assembly meetings, it shall be mandatory for a representative of the Ministry of Customs and Trade to be present.

In cases where the ordinary and extraordinary general assembly meetings are carried out via an electronic media, the ministry representative may attend in person or he/she may attend via the electronic media.The Attendants List, the agenda and one copy of the general assembly meeting minute shall be submitted to the Representative of the Ministry of Customs and Trade.

Article 22 - NUMBER OF VOTES:

Any shareholders or his/her proxy attending an Ordinary or Extraordinary General Assembly Meeting has one voting right for each share held.

Article 23 - REPRESENTATION BY PROXY

In General Assembly meetings, regulations of Capital Market Board relating to voting are applicable. Shareholders not attending the General Assembly meeting may have themselves represented by a proxy appointed among other shareholders or externally.

Article 24 - VOTING METHOD

In General Assembly meetings, voting is made by raising of hands unless otherwise is agreed upon.

In electronic general assembly meetings, provisions regarding voting are reserved.

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OLD TEXT

Article 25 - ANNOUNCEMENTS:

Announcements relating to the Company are made through the Turkish Trade Registry Gazette and internet provided that provisions of Article 37 of the Turkish Commercial Code is reserved and communiqué of the Capital Market Board is complied with.

Provisions of this Articles of Association hereby about general meetings shall be reserved.

Article 26 - AMENDMENT OF ARTICLES OF ASSOCIATION

Adoption and implementation of amendments on this Articles of Association through the decisions of Board of Directors require permission of the Ministry of Industry and Commerce and Capital Market Board. Such amendments become valid as of the date of announcement after duly attested and registered at the Trade Registry Office.

Article 27 - ISSUING OF BONDS AND OTHER SECURITIES

The Company may issue secured or unsecured bonds in Turkey or abroad in the amount allowed by the legislation in force with the decision of Board of Directors in which case provisons of Articles 423 and 424 of Turkish Commercial Code are not applied.

The Company may issue bonds to be replaced with share certificates with the decision of Board of Directors and within the rules and principles determined and notified by the Capital Market Board.

The Company may issue any type of commercial papers, dividend shares, profit or loss participation papers or any other securities and valuable papers accepted by the Capital Market Board for sale to real and legal person in Turkey or abroad in accordance with Turkish Commercial Code, Capital Market Act and other legislation in force. The authority to determine issuing and maximum amount of such securities and applicable conditions is vested to the Board of Directors by the General Assembly.

Article 28 - COPIES SUBMITTED TO THE MINISTRY

Three copies of each of the Board of Directors and Auditor's report, balance sheet and Minutes of General Asssembly meeting should be submitted to the Capital Market Board and Ministry of Industry and Commerce latest within one month following the date of last General Assembly meeting.

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NEW TEXT

Article 25 - ANNOUNCEMENTS:

Announcements relating to the Company and general assembly Meeting declarations shall be made by taking into consideration the minimum periods specified in Turkish Commercial Code, the Capital Market Law and other related regulation provisions beside the procedures envisaged by legislation in a way to reach the maximum possible number of shareholders by means of using all kinds of communication instruments including electronic communication.

Special situation declarations to be made in accordance with the Capital Market Board arrangements and all kinds of other declarations shall be made in line with the provisions of related regulations.

Article 26 - AMENDMENT OF ARTICLES OF ASSOCIATION

Adoption and implementation of amendments on this Articles of Association through the decisions of Board of Directors require permission of the Ministry of Customs and Trade and Capital Market Board. Such amendments become valid as of the date of announcement after duly attested and registered at the Trade Registry Office.

Article 27 - ISSUING OF BONDS AND OTHER SECURITIES

The Company may issue secured or unsecured bonds in Turkey or abroad in the amount allowed by the legislation in force with the decision of Board of Directors in which case provisons of the Turkish Commercial Code are not applied.

The Company may issue bonds to be replaced with share certificates with the decision of Board of Directors and within the rules and principles determined and notified by the Capital Market Board.

The Company may issue any type of commercial papers, dividend shares, profit or loss participation papers or any other securities and valuable papers accepted by the Capital Market Board for sale to real and legal person in Turkey or abroad in accordance with Turkish Commercial Code, Capital Market Act and other legislation in force. The authority to determine issuing and maximum amount of such securities and applicable conditions is vested to the Board of Directors by the General Assembly.

Article 28 - DOCUMENTS TO BE SUBMITTED TO THE MINISTRY

General assembly meeting minute, assignment letter of the Ministry representative and other documents requested by the Trade Registry of Commerce shall be submitted to the Capital Market Board and to the related ministry within one month performing the date of general assembly meeting.

THIS IS THE DRAFT AMENDMENT OF ARTICLES 7, 9, 10, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 30, 30/A, 32 OF THE ARTICLES OF ASSOCIATION AND REMOVAL OF ARTICLES NUMBERED 31 AND 33.

OLD TEXT

Article 30 - PROFIT DISTRIBUTION:

Net profit of the Company reflected in the balance sheet to remain after deduction of general expenses and depreciation which should be paid and set aside by the company as well as all taxes payable by the company as a legal entity and losses to previous years (if any) from the income amount calculated at the end of the accounting period is distributed in the following order.

Primary Legal Reserves

a. 5% shall be taken as legal reserve.

First Dividend

a. First dividend shall be reserved from the rate and amount determined from the remaining amount by the Capital Market Board.

Second Dividend

b. The amount of net profit to remain after deduction of the amounts mentioned above may be distributed partially or wholly as second dividend or set aside as extraordinary reserve with the decision of General Assembly.

Secondary Legal Reserve

c. One-tenth of the calculated by deducting an amount equal to 5% of paid-up capital from the portion of the net profit that is decided to be distributed to the shareholders and other parties participating in the profit of the Company is set aside as secondary legal reserve as per paragraph 2, sub paragraph 3 of Article 466 of Turkish commercial Code. No secondary legal reserve is set aside in case the profit share and extraordinary reserve are distributed in the form of share certificates by increasing the capital.

d. No decision can be made to set aside any other reserve, to carry over profits to the next year or to distribute profit share to preferred stock holders or owners of participation, founder or common dividend shares or board members an officials workers and servers of the Company unless the reserves set forth in applicable legislation are set aside and first dividend is distributed to the shareholders as mentioned in the Article of Association in cash and/or in the form of share certificates.

Dividend is distributed equally to all of the current shares as of the accounting period regardless of acquisition date thereof.

The date and method distribution of profit including the first dividend is determined by the General Assembly upon proposal of the Board of Directors in accordance with the communiqués of the Capital Market Board.

The Company may distribute to the shareholders a certain amount of dividends in advance in accordance with related provisions of Capital Market Act.

Article 30/A - OTHER PAYMENTS:

The Company may effect participation share payments to its employees who are members of Koç Holding Pension and Support Fund Foundation as per the Official Deed of the Foundation and make payment to official departments with common budget, administrations with annexed budget, private provincial administrations, municipalities and villages societies caring for the benefits of public, foundations established in accordance with Turkish Civil Code, and exempted from tax by the Council of Ministers and State and foundation universities in the maximum amounts allowed by the tax legislation for deduction from the Company's revenues with the decision of Board of Directors.

THIS IS THE DRAFT AMENDMENT OF ARTICLES 7, 9, 10, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 30, 30/A, 32 OF THE ARTICLES OF ASSOCIATION AND REMOVAL OF ARTICLES NUMBERED 31 AND 33.

NEW TEXT

Article 30 - PROFIT DISTRIBUTION

Net profit of the Company reflected in the balance sheet to remain after deduction of general expenses and depreciation which should be paid and set aside by the company as well as all taxes payable by the company as a legal entity and losses to previous years (if any) from the income amount calculated at the end of the accounting period is distributed in the following order.

Primary Legal Reserve

a- 5% (Five Percent) of the Annual Profit shall be allocated as legal reserve until reaching 20% (Twenty Percent) of the Paid Capital.

First Dividend

b. First dividend shall be reserved from the rate and amount determined from the remaining amount by the Capital Market Board.

Second Dividend

c. The amount of net profit to remain after deduction of the amounts mentioned above may be distributed partially or wholly as second dividend or set aside as extraordinary reserve with the decision of General Assembly.

Secondary Legal Reserve

d. 10% (Ten Percent) of the amount found after deducting the profit share at a rate of 5% of the paid capital from the amount decided to be distributed to shareholders and other persons participating in the profit shall be allocated as secondary legal reserve according to the Turkish Commercial Code. Secondary legal reserve shall not be allocated in the event that the profit share and excess reserves are distributed as share certificates by increasing the capital

e. No decision can be made to set aside any other reserve, to carry over profits to the next year or to distribute profit share to preferred stock holders or owners of participation, founder or common dividend shares or board members an officials workers and servers of the Company unless the reserves set forth in applicable legislation are set aside and first dividend is distributed to the shareholders as mentioned in the Article of Association in cash and/or in the form of share certificates.

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The Company may distribute to the shareholders a certain amount of dividends in advance in accordance with related provisions of Capital Market Act.

Article 30/A - OTHER PAYMENTS:

To perform payments to official departments with common budget, administrations with annexed budget, private provincial administrations, municipalities and villages societies caring for the benefits of public, foundations established in accordance with Turkish Civil Code, and exempted from tax by the Council of Ministers and State and foundation universities in the maximum amounts allowed by the tax legislation for deduction from the Company's revenues.

THIS IS THE DRAFT AMENDMENT OF ARTICLES 7, 9, 10, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 30, 30/A, 32 OF THE ARTICLES OF ASSOCIATION AND REMOVAL OF ARTICLES NUMBERED 31 AND 33.

OLD TEXT

Article 31 - RESERVE FUND

No reserve fund is set aside when the general reserve fund set aside by the Company reached one-fifth of its capital. In case the general reserve fund falls below the amount mentioned above, the Company sets aside reserve funds again until the same ratio is achieved.

Article 32 - TERMINATION AND DISSOLUTION

The Company may be dissolved due to the reasons mentioned in Turkish Commercial Code or with a court decision, in addition, the Company may be dissolved upon a decision of the General Assembly within the legal framework in case of termination or dissolution of the Company , liquidation procedures are came out in accordance with the provisions of Turkish Commercial Code.

Article 33 - ARBITRATION AND JURISDICTION

Any dispute to arise between the company and its shareholders or only among the shareholders in connection with the activities or dissolution of the Company shall be settled by way or arbitration. Arbitrators shall make their decision in compliance with the Turkish legislation to ensure enforceability.

Any dispute requiring referral to a court or enforcement office shall be resolved and executed by the courts and enforcement offices of the city where the Company's head-office is situated.

THIS IS THE DRAFT AMENDMENT OF ARTICLES 7, 9, 10, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 30, 30/A, 32 OF THE ARTICLES OF ASSOCIATION AND REMOVAL OF ARTICLES NUMBERED 31 AND 33.

NEW TEXT

Article 31 - RESERVE FUND

This article has been removed.

Article 32 - TERMINATION AND DISSOLUTION

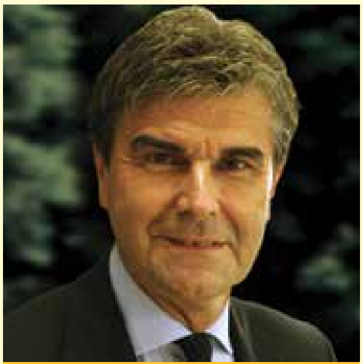
The Company may be dissolved due to the reasons mentioned in Turkish Commercial Code or with a court decision, in addition, the Company may be dissolved upon a decision of the General Assembly within the legal framework in case of termination or dissolution of the Company , liquidation procedures are came out in accordance with the provisions of Turkish Commercial Code.

Article 33 - ARBITRATION AND JURISDICTION:

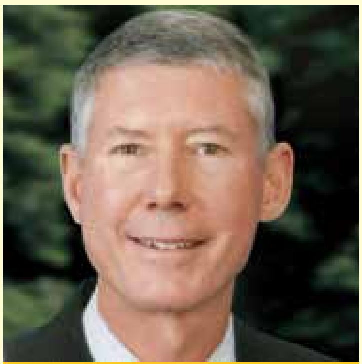
This article has been removed.

BOARD OF DIRECTORS

SAMIR KASEM • Chairman of the Board

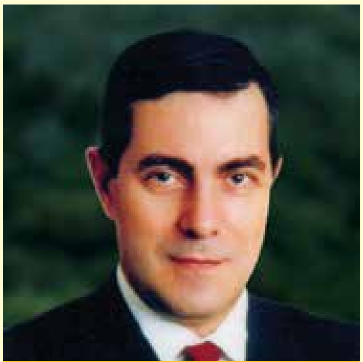


GIANNI SCOTTI
Vice Chairman of the Board



WILLIAM MARK SCHMITZ
Member

ARNAUD J. GÈRARD MOISSET
Member



ARİF NURİ BULUT
Member - General Manager

GÜLSÜM AZERİ
Member

POL ZAZADZE
Member

AUDIT BOARD

AHMET SEZER ENGİN • Member

DENİZ TEKDEMİR • Member

Ahmet Sezer Engin and Deniz Tekdemir were appointed for the March 26, 2012 – March 25, 2013 period.

INDEPENDENT EXTERNAL CONTROL ENTITY

2012 accounts were audited by Akis Bagimsiz Denetim ve Serbest Muhasebeci Mali Müsavirlik AS (KPMG).

PRESENTED TO 48TH ORDINARY GENERAL ASSEMBLY OF IZOCAM TICARET VE SANAYI A.S. HELD ON 25TH MARCH 2013

ANNUAL ACTIVITY REPORT OF THE BOARD OF DIRECTORS

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

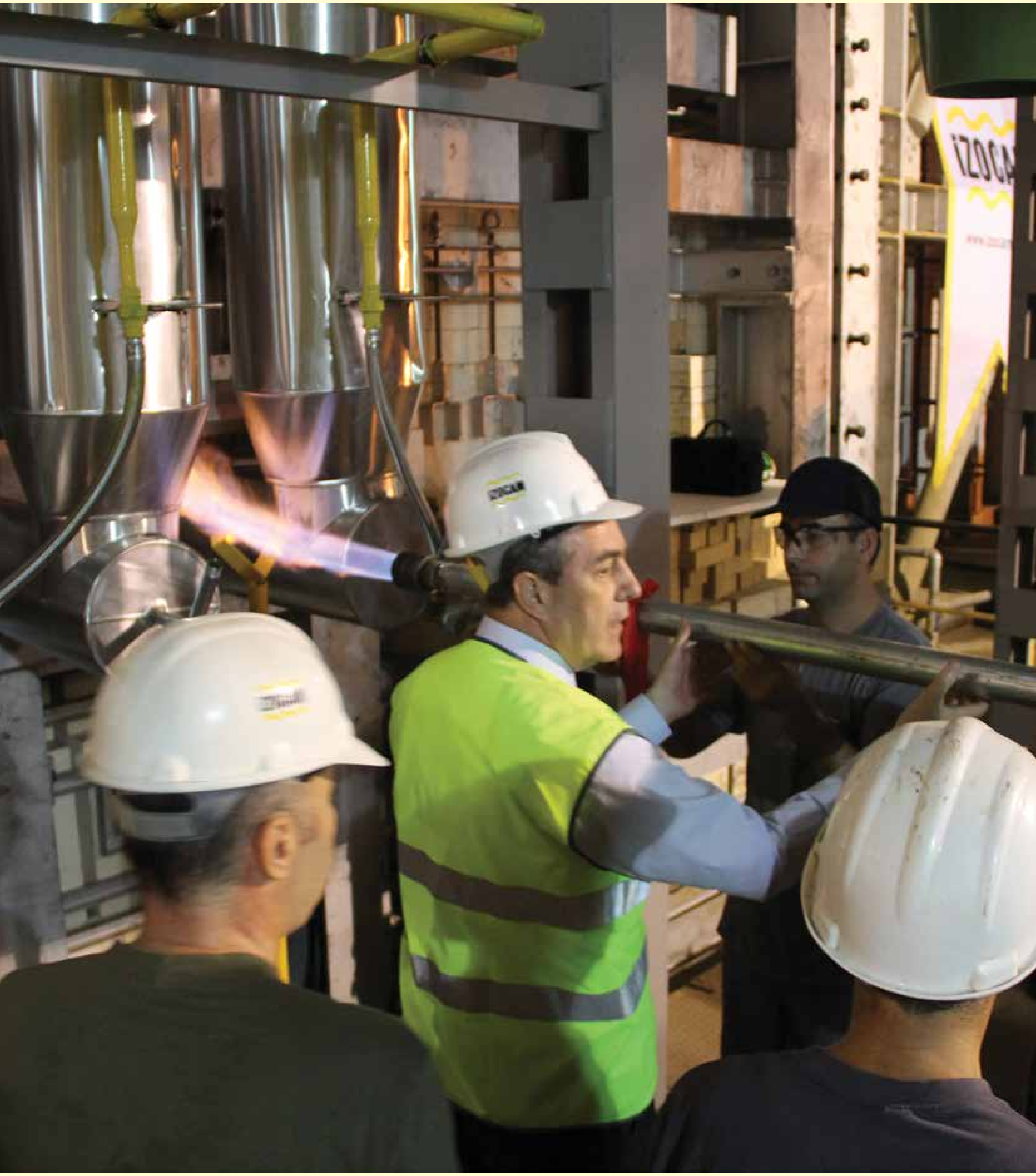
Our Company has reserved its distinguished position within the insulation industry sector of our country where it acts as a leader since its establishment and improves its sector of activity even more with the new products it has added to the range of production.

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.

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.


IZOCAM

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 m^3/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 m^2.

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		
	274.751.624	**252.187.443**
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
	183.834.677	**177.958.040**
Net book value	**90.916.947**	**74.229.403**

ISSUED SECURITIES

We do not have any issued securities.

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.

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.

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.

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 Gèrard 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.

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 Gèrard 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.

NAME SURNAME	DUTY
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	TEKIZ 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	OPERATING MANAGER (PLASTICS/ TEKIZ)
GÖKHAN SERİN	QUALITY ASSURANCE MANAGER
EŞREF BİNGÖL	RESEARCH&DEVELOPMENT MANAGER
İLHAN KARAAĞAÇ	FOAMBOARD PRODUCTION MANAGER
OLCAY YULTAY	PRODUCTION MANAGER (STONE WOOL)

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
EVRİM YILDIZ	QUALITY ASSURANCE MANAGER

UMRANIYE TEKIZ PANEL PRODUCTION FACILITY

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

ESKISEHIR 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:

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

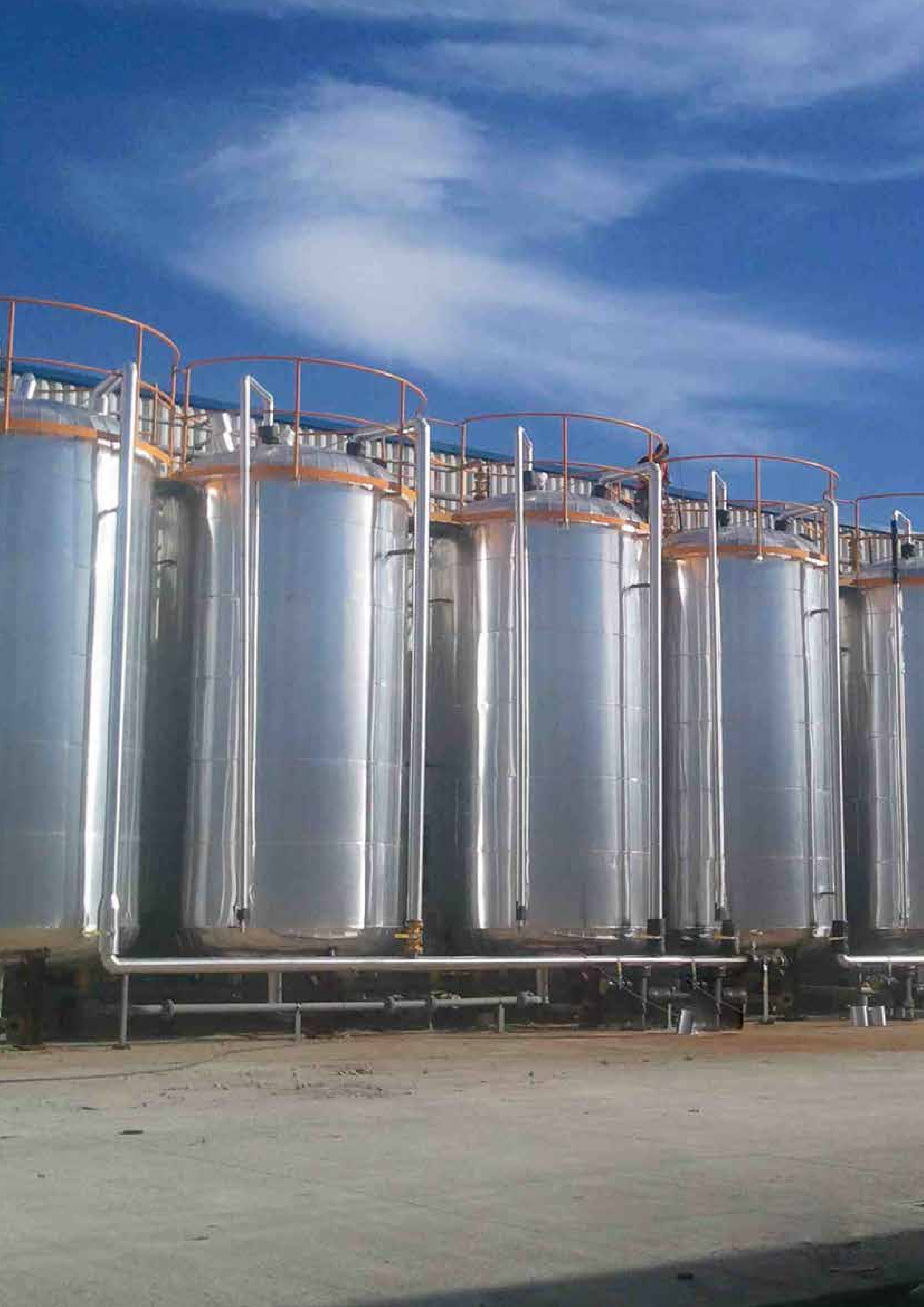
WILLIAM MARK SCHMITZ
Member

ARNAUD J. GÈRARD MOISSET
Member

GÜLSÜM AZERİ
Member

POL ZAZADZE
Member

ARİF NURİ BULUT
Member - General Manager



İZOCAM TİCARET VE SANAYİ A.Ş. AUDITOR'S REPORT

To the General Assembly of İzocam Ticaret ve Sanayi A.Ş.

Results of the audits conducted by us in connection with the 2012 accounting year of the company are presented below to your consideration.

1. 2012 has become a successful year for the Company which performed its activities in accordance with the Capital Market Act and relevant legislation.

2. It has been seen that all the books and records set forth in Turkish Commercial Code and relevant legislation are kept and certifying documents are maintained properly and in full compliance with the said Act.

3. In our opinion, the financial statements issued in accordance with the Tax Procedures Law as well as those issued as of 31.12.2012 in accordance with the generally accepted accounting principles published by the Capital Market Board reflect the actual financial situation of the Company on the said date and results of its activities performed in the same period correctly and truly.

4. It has been seen that decision on the Company's management are entered into the resolution book duly kept.

As a result, we present the report issued by the Board of Directors and the financial statements prepared in accordance with the generally accepted accounting principles issued by the Capital Market Board as well as the Board's proposal on distribution of the profit to your consideration and approval.

Best Regards,

İstanbul, 20 February 2013

DENİZ TEKDEMİR | *AHMET SEZER ENGİN*

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of İzocam Ticaret ve Sanayi Anonim Şirketi, which comprise the statement of financial position as at 31 December 2012, and the related statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting standards of Capital Market Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the statement of financial position of İzocam Ticaret ve Sanayi Anonim Şirketi as at 31 December 2012, and the related statement of comprehensive income, statement of changes in equity and cash flows in accordance with the financial reporting standards (please see Note 2) promulgated by CMB.

Additional paragraph for convenience translation to English

As explained in note 2.1, the accompanying financial statements are not intended to present the financial position and results of its operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

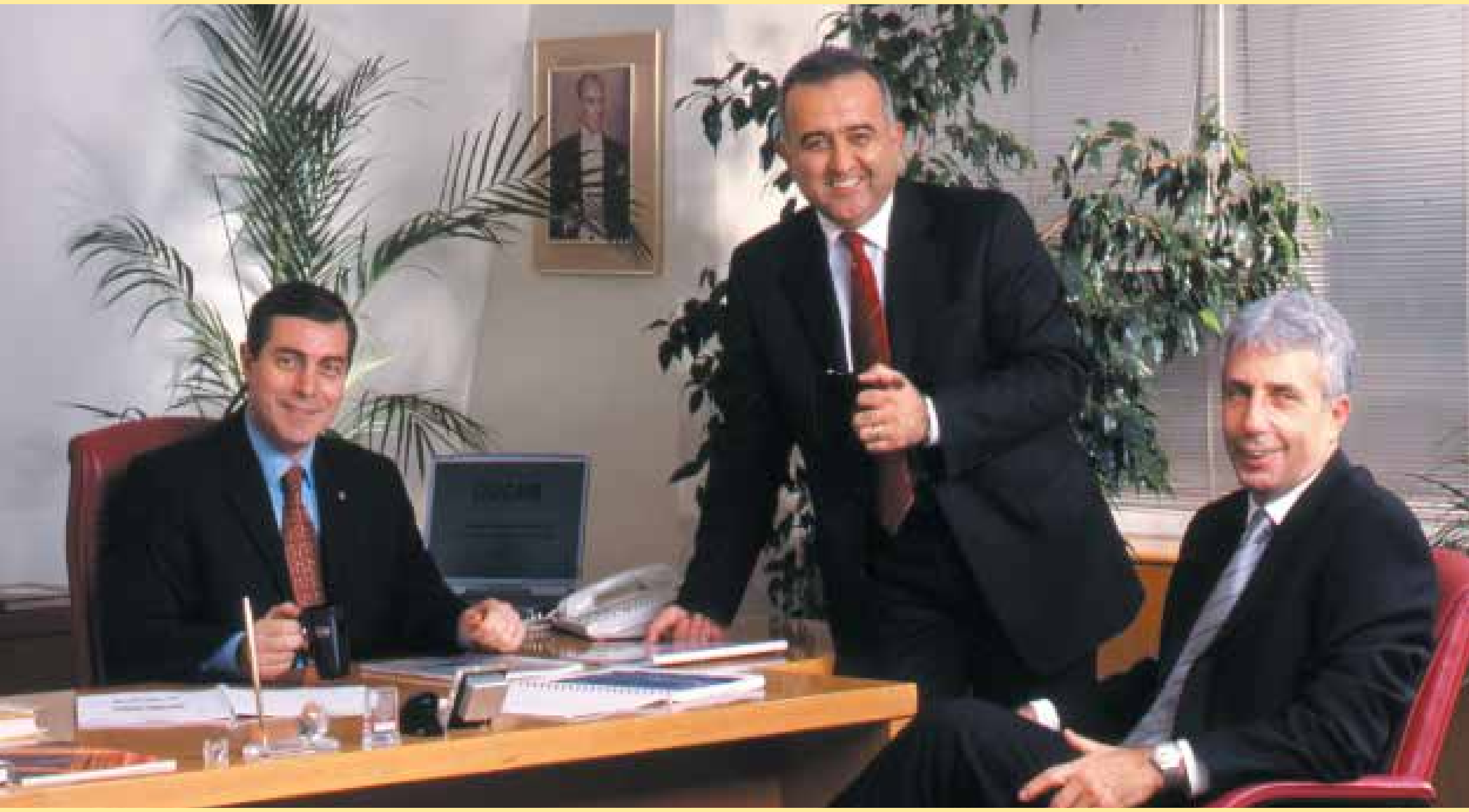
İstanbul, 20 February 2013

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakkı Özgür Sıvacı

İstanbul, Türkiye

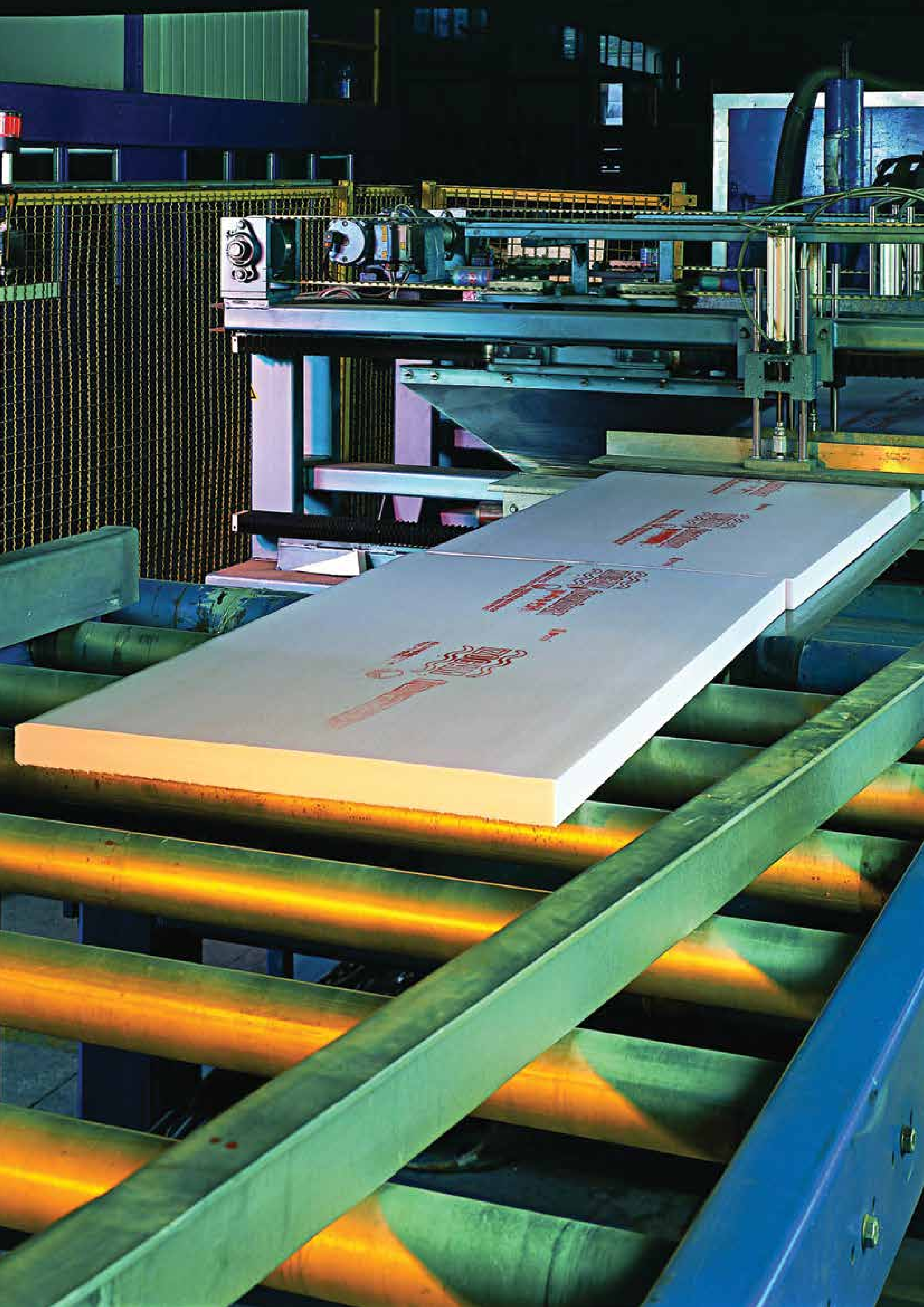
MANAGEMENT



ARİF NURİ BULUT
General Manager

FATİH ÖKTEM
Assistant General Manager, Marketing

HASAN BASRİ ERÖKTEM
Assistant General Manager, Fİnance - Administration



İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ
CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

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

		Audited	
	Note	**31 December 2012**	**31 December 2011**
ASSETS			
Current Assets		**115.303.906**	**123.179.489**
Cash and Cash Equivalents	4	4.581.135	30.166.461
Trade Receivables	6	83.494.505	72.544.586
Due From Related Parties	25	1.541.548	1.175.654
Other Trade Receivables		81.952.957	71.368.932
Inventories	8	22.392.199	19.957.988
Other Current Assets	14	4.836.067	510.454
Non-Current Assets		**90.972.401**	**74.356.070**
Other Receivables	7	3.955	3.955
Property, Plant and Equipment	9	90.916.947	74.229.403
Intangible Assets	10	50.626	86.762
Other Non-Current Assets	14	873	1.824
Deferred Tax Asset	23	--	34.126
TOTAL ASSETS		**206.276.307**	**197.535.559**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

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

		Audited	
	Note	**31 December 2012**	**31 December 2011**
LIABILITIES			
Short-Term Liabilities		**50.081.808**	**37.854.564**
Bank Borrowings	5	14.476.383	5.233.090
Trade Payables	6	27.855.075	22.827.894
Due To Related Parties	25	390.402	504.454
Other Trade Payables		27.464.673	22.323.440
Other Payables	7	33.785	1.597
Income Tax Payable	23	1.920.949	2.851.061
Accrued Liabilities	11	3.280.377	2.999.115
Other Short-Term Liabilities	14	2.419.669	3.861.922
Employee Benefits	13	95.570	79.885
Long-Term Liabilities		**7.916.151**	**5.464.441**
Employee Benefits	13	7.594.023	5.464.441
Deferred Tax Liability	23	322.128	--
EQUITY		**148.278.348**	**154.216.554**
Paid-in Capital	15	24.534.143	24.534.143
Inflation Adjustment on Capital	15	25.856.460	25.856.460
Share Premium	15	1.092	1.092
Restricted Reserves	15	29.982.894	27.105.565
Retained Earnings		43.841.965	42.094.853
Net Profit For The Period		24.061.794	34.624.441
TOTAL LIABILITIES		**206.276.307**	**197.535.559**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

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

		Audited	
	Note	**31 December 2012**	**31 December 2011**
Revenues	16	318.292.485	286.431.333
Cost of Sales (-)	16	(239.176.488)	(204.988.643)
GROSS PROFIT		**79.115.997**	**81.442.690**
Selling, Marketing and Distribution Expenses (-)	17	(36.524.102)	(31.459.249)
Administrative Expenses (-)	18	(12.579.621)	(10.760.028)
Other Operating Income	20	135.291	203.345
Other Operating Expense (-)	20	(1.257.726)	(75.122)
OPERATING PROFIT		**28.889.839**	**39.351.636**
Finance Income	21	4.661.284	4.571.211
Finance Costs (-)	22	(3.196.998)	(605.162)
PROFIT BEFORE TAX		**30.354.125**	**43.317.685**
Current Tax Expense	23	(5.936.077)	(9.911.243)
Deferred Tax Credit/(Charge)	23	(356.254)	1.217.999
NET PROFIT FOR THE PERIOD		**24.061.794**	**34.624.441**
Diğer Kapsamlı Gelir		--	--
TOPLAM KAPSAMLI GELİR		**24.061.794**	**34.624.441**
Earnings Per Share ("Kr")	**24**	**0,00981**	**0,01411**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

EK-3

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

					Restricted Reserves					
	Notes	Capital	Inflation Adjustment on Capital	Share Premium	Legal Reserves	Special Reserves	Total	Retained Earnings	Net Profit for the Year	Total Equity
Balances at 1 January 2011		**24.534.143**	**25.856.460**	**1.092**	**24.358.839**	**46**	**24.358.885**	**41.972.182**	**31.562.858**	**148.285.620**
Total comprehensive income										
Net profit for the year	15	--	--	--	--	--	--	--	34.624.441	34.624.441
Total comprehensive income		**--**	**--**	**--**	**2.746.680**	**--**	**2.746.680**	**28.816.178**	**34.624.441**	**34.624.441**
Transfer to reserves	15	--	--	--	2.746.680	--	2.746.680	28.816.178	(31.562.858)	--
Transactions with owners, recorded directly in equity		--	--	--	--	--	--	--	--	--
Dividends to equity holder	15	--	--	--	--	--	--	(28.693.507)	--	(28.693.507)
Total transactions with owners		**--**	**--**	**--**	**--**	**--**	**--**	**(28.693.507)**	**--**	**(28.693.507)**
Balances at 31 December 2011		**24.534.143**	**25.856.460**	**1.092**	**27.105.519**	**46**	**27.105.565**	**42.094.853**	**34.624.441**	**154.216.554**
Balances at 1 January 2012		**24.534.143**	**25.856.460**	**1.092**	**27.105.519**	**46**	**27.105.565**	**42.094.853**	**34.624.441**	**154.216.554**
Total comprehensive income										
Net profit for the year	15	--	--	--	--	--	--	--	24.061.794	24.061.794
Total comprehensive income		**--**	**--**	**--**	**2.877.329**	**--**	**2.877.329**	**31.747.112**	**24.061.794**	**24.061.794**
Transfer to reserves	15	--	--	--	2.877.329	--	2.877.329	31.747.112	(34.624.441)	--
Transactions with owners, recorded directly in equity		--	--	--	--	--	--		--	--
Dividends to equity holder	15	--	--	--	--	--	--	(30.000.000)	--	(30.000.000)
Total transactions with owners		**--**	**--**	**--**	**--**	**--**	**--**	**(30.000.000)**	**--**	**(30.000.000)**
Balances at 31 December 2012		**24.534.143**	**25.856.460**	**1.092**	**29.982.848**	**46**	**29.982.894**	**43.841.965**	**24.061.794**	**148.278.348**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

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

		Audited	
	Note	**31 December 2012**	**31 December 2011**
Cash flows from operating activities			
Net profit for the period		24.061.794	34.624.441
Adjustments to:			
Depreciation and amortization	9,10	10.311.264	11.918.535
Current tax expense	23	5.936.077	9.911.243
Deferred tax expense	23	356.254	(1.217.999)
Provision for employee severance indemnity		2.628.480	1.741.638
Provision for vacation pay liability	13	332.184	488.750
Finance income	21	(4.661.284)	(4.381.339)
Finance cost	22	2.132.839	605.162
Gain (losses) on sale of tangible assets-net	20	89.235	(27.670)
Allowance for bad debt receivables	6.1	125.523	24.020
Other non-monetary provisions		11.075.458	9.136.920
Operating profit before changes in working capital		**52.387.824**	**62.823.701**
Change in trade receivables		(10.709.548)	(15.578.327)
Change in other receivables		--	(1.087)
Change in due from related parties		(365.894)	(514.513)
Change in blockage amount	4	(1.758.822)	984.559
Change in inventories	8	(2.434.211)	(2.245.490)
Change in other current assets	14	(1.586.963)	4.458.319
Change in trade payables		5.141.233	4.408.072
Change in other non-current assets		951	(1.353)
Change in due to related parties		(125.292)	195.445
Change in other payables		32.188	(12.311)
Change in other liabilities	14	(1.442.254)	1.885.916
Taxes paid		(6.866.189)	(8.631.748)
Interest paid		(1.803.118)	(473.315)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

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

		Audited	
	Note	**31 December 2012**	**31 December 2011**
Employee severance indemnity paid	13	(1.018.972)	(638.102)
Provisions paid	11	(10.920.342)	(8.742.949)
Net cash from operating activities		**18.530.591**	**37.916.817**
Cash flows used in investing activities			
Acquisition of property, plant and equipment	9	(27.715.635)	(18.113.954)
Acquisition of intangible assets	10	(5.755)	(83.784)
Proceeds from sales of property, plant and equipment		669.482	165.345
Advances given for tangible assets		(2.738.648)	--
Investing activities		**(29.790.556)**	**(18.032.393)**
Financing activities			
Change in bank borrowings and other financial liabilities		9.243.293	(2.145.433)
Dividend paid	15	(29.988.760)	(28.682.529)
Interest received, net		4.702.220	4.433.577
Cash flows used in financing activities		**(16.043.247)**	**(26.394.385)**
Change in cash and cash equivalents, net		(27.303.212)	(6.509.961)
Cash and cash equivalents at the beginning of the period		**28.876.183**	**35.386.144**
Cash and cash equivalents at the end of the period	**4**	**1.572.971**	**28.876.183**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

1 - ORGANIZATION AND NATURE OF BUSINESS

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

As at 31 December 2012,through collection of shares publicly traded on İstanbul Stock Exchange ("ISE") and collected shares of İzocam from İzocam Holding Anonim Şirketi ("İzocam Holding") in İzocam Holding have reached to 95.07 percent invest in İzocam. Together with 1,501,330,396 shares representing 61.16 percent of paid-in capital of İzocam not traded on ISE (which İzocam Holding purchased from Koç Group on 29 November 2006) and on 10 July 2007, 831,117,304 shares being traded on ISE which represents 33.91 percent of paid-in capital of İzocam, the shares of İzocam Holding in İzocam is 95.07 percent. İzocam Holding is a joint venture of Compagnie de Saint Gobain Group and Alghanim Group by 50 percent each.

The Company conducts some of its operations with the related party namely Saint Gobain Group and Alghanim Group of companies. The Company has several related parties as their customers and suppliers (Note 25). The Company is registered at Capital Market Board of Turkey ("CMB") and its shares are listed in ISE since 15 April 1981. As at 31 December 2012, 38.84 percent of the shares of İzocam are publicly traded at ISE.

As at 31 December 2012, the average number of employees of the Company is 436 (31 December 2011: 434) in which 191 (31 December 2011: 189) is comprised white collar employees and 245 (31 December 2011: 245) is comprised blue collar employees.

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

Organize Sanayi Bölgesi

3. Cadde No.4 Yukarı Dudullu

34775 Ümraniye İSTANBUL

The head office address of the Company is as follows:

Dilovası Organize Sanayi Bölgesi

1.Kısım Dicle Caddesi No:8

Dilovası / KOCAELİ

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of compliance

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

The accompanying financial statements of the Company have been prepared in accordance with the accounting and reporting principles issued by CMB ("CMB Financial Reporting Standards"). CMB published Communiqué No: XI-29 "Basis for Financial Reporting in the Capital Markets" ("Communiqué No: XI-29"). In Communiqué No: XI-29, CMB determines the principles, procedures and basis for preparing of the financial reports. Communiqué No: XI-29 is effective from the first interim period reporting after 1 January 2008 which supersedes Communiqué No: XI-25 "The Accounting Standards in Capital Markets" ("Communiqué No: XI-25"). In accordance with Communiqué No: XI-29, the companies are required to prepare their financial statements in accordance with the International Financial Reporting Standards as accepted by the European Union ("EU GAAP"). However, until Turkish Accounting Standards Board ("TASB") publishes the differences between the European Union accepted IAS/IFRS and International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"), IAS/IFRS has to be applied by the companies. Within the above mentioned scope, Turkish Financial Reporting Standards ("TFRS") issued by TASB will be applied if there is not inconsistency in the standards applied. The Company has prepared its financial statements as at 31 December 2012 in accordance with IFRS.

Published in the Official Gazette and entered into force on 2 November 2011 by Decree No. 660 of Law No. 2499, which are among the organization an additional 1st TASB agent has been revoked and the Public Oversight Accounting and Auditing Standards Board ("Oversight Agency"), the Council of Ministers decided to establish. This is a temporary 1st of Decree Law According to the article published by the Public Oversight Agency standards and regulations come into force until the implementation of existing regulations will continue to be based on the issues. This does not cause any change of Basis of Presentation as of reporting date.

The accompanying financial statements of the Company have been approved by the board of directors of the Company on 20 February 2013. The general assembly and legal authorities are competent to change the accompanying financial statements.

Additional paragraph for convenience translation to English:

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

2.1.2 Basis of presentation of financial statements

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

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.3 Functional and presentation currency

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

2.1.4 Comparative information

The accompanying financial statements are prepared comparatively to present the tendency in the financial position, financial performance and cash flows of the Company. If necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative information is reclassed and related differences are explained in related notes.

2.2 Changes in Accounting Policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in the financial statements. The Company consistently recognizes measures and presents the transactions, other events and situations with the same nature. Changes in accounting policies or accounting errors (if any) are corrected, retrospectively; trough restating the prior period financial statements.

2.3 Changes in Accounting Estimates and Errors

Effect of changes in accounting estimates affecting current period (if any) is recognized in the current period; effect of changes in accounting estimates affecting current and future periods is recognized prospectively.

2.4 Changes in IFRS

2.4.1 New standards and interpretations adopted in 2012 that have no effect on the Company's financials

As a result of the amendments, SIC-21 Income Taxes-Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn. The amendment is effective for annual periods beginning on or after 1 January 2012 and it is not expected to have any impact on the financial statements.

IASB has issued amendments to IAS 12 "Income Taxes" as at 31 December 2010. Amendment in TMS 12 results in an exception to the measurement values of income taxes on investment properties measured based on fair value. Measurement of liabilities and deferred tax asset is determined in line with the possibility that carrying value of the property may not recover by sales approach under these limited conditions. Such possibility is not available for business models only including investment properties subject to depreciation and asset providing lifetime economic benefits in essence.

IAS 12 "Deferred Taxes - Recoverability of subject assets" resulted in a change that an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. These amendments are effective for financial statements beginning 1 January 2012 or periods after, and are not expected to have a material impact on the financial statements presented herein. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be through sale.

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.2 New Standards and Interpretations Not Yet Adopted as at 31 December 2012

As of 31 December 2012, there are new standards and updates to the existing standards and interpretations that are not effective for the preceding twelve-month period and not applied in connection with the preparation of the attached financial statements. These amendments does not have any material impact on the attached financial statements except for the statements layout as below that have not been issued by TMSK yet but currently exist within International Financial Reporting Standards ("IFRS") and expected to be issued by TMSK.

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

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

IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" could be adopted early jointly if they are adopted together at the same time.

IAS 27 "Consolidated and Separate Financial Statements" (2011) replaces IAS 27 (2008) and is effective as of 1 January 2013 or for the following periods. The standard replaced IAS 27's provisions related to the consolidation. A new definition of "control" was made in connection with determining the companies subject to the consolidation. This is a principle-based standard that provides preparer of the financial statements more grounds for decision-making purposes. Such standard is not expected to have a material impact on the financial condition or result of operations of the Company.

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

IFRS 10 "Consolidated Financial Statements" replaces IAS 27 (2007) and IAS 12 Interpretation Consolidation – Special Purpose Entities" and effective as of 1 January 2013 and following periods.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

IFRS 12 "Disclosure of Interests in Other Entities" standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early. IFRS 12 includes all of the disclosures that were previously in IAS 27 "Consolidated and Separate Financial Statements" related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 "Interests in Joint Ventures" and IAS 28 "Investment in Associates".

These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard it is expected that more comprehensive disclosures will be given for interests in other entities.

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

As a result of issuance of IFRS 10, IASB made certain amendments to IAS 27 "Consolidated and Separate Financial Statements". These amendments resulted in the fact that IAS 27 only includes accounting provisions for subsidiary, joint venture and associates. The provisions of the amendments are in line with IFRS 10. The standard is effective as of 1 January 2013 and following annual periods. These amendments are not expected to have a material impact on the Company's financial statements.

Amended IAS 19 "Employee Benefits" standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among there numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

IAS 28 Investments at Subsidiaries and Associates (2011) replaces IAS 28 (2008) and effective as of 1 January 2013 and following annual periods.

There were also amendments made to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities. The amendments clarify the meaning of currently existing legally enforceable right to set-off- and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearinghouse systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies

All disclosures described below have been applied properly during all reporting periods presented by the Company. Significant accounting policies applied during the preparation of the financial statements are summarized as follows.

2.5.1 Foreign currency

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

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

2.5.2 Financial instruments

Non-derivative financial assets

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

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

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

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

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, and trade and other receivables, including service concession receivables.

Cash and cash equivalents comprise of cash, deposits with maturity periods of less than three-months and highly liquid investments with maturity periods of less than three-months and having no conversion risk exposure other than the impact of foreign currency changes.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Non-derivative financial liabilities

The Company initially recognizes financial liabilities on the date that they are originated.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

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

2.5.3 Property, plant and equipment

The costs of tangible assets purchased before 1 January 2005 are restated for the effects of inflation current at 31 December 2004 less accumulated depreciation and impairment losses. The costs of tangible assets purchased after 31 December 2004 are carried at cost less accumulated depreciation and impairment losses (Note 9).

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

- *Material and direct labor costs,*
- *The assets which are directly attributable costs of bringing into operation; available for the purpose of the Company*
- *If the Company has a liability in any condition, it will cover the costs of dismembering the parts or restoring them, relocation of the items and restoration of the area which these items are placed;*
- *Also includes capitalized financial expenses.*

Gains or losses on disposals of property plant and equipment are included in the relevant profit and loss accounts and the cost and accumulated depreciation of property, plant and equipment has been derecognized from the relevant accounts as appropriate. When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property plant and equipment together with the repair and maintenance costs can be capitalized. Subsequent cost can be capitalized if it is probable that the future economic benefits will flow to the Company. All other expense items are recognized in profit or loss on an accrual basis.

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Depreciation

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

Depreciation is calculated to write off the cost of items of machinery and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The expected useful lives of property plant and equipment are as follows:

Buildings and land improvements	*5-50 years*
Machinery and equipment	*4-25 years*
Leasehold improvements	*5-6 years*
Furniture and fixtures	*4-15 years*

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation method, economic useful lives and residual values of tangible assets are reviewed at each reporting period and adjusted if appropriate.

2.5.4 Intangible assets

Intangible assets are comprised acquired software rights. The costs of intangible assets purchased before 1 January 2005 are restated for the effects of inflation current at 31 December 2004 less accumulated amortization and impairment losses. The costs of intangible assets purchased after 31 December 2004 are carried at cost less accumulated amortization and impairment losses. The carrying amount of an intangible asset is reduced to its recoverable amount if there is impairment (Note 10).

Subsequent costs

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

Amortization

Intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful lives for a period between three and six years from the date of acquisition.

Rights	***3-6 years***

Amortization method, economic useful lives and residual values of intangible assets are revised at each reporting date and adjusted if appropriate.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.5 Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Finance lease payments are presented at amortized cost of the minimum lease payments.

Assets leased under agreements that do not transfer substantially all the risks and rewards associated with ownership to the Company, other than the legal title, are classified as operating leases. Lease payments are recognized in the profit or loss with straight line method through the term of the lease.

2.5.6 Inventories

Inventories are measured at the lower of cost or net realizable value. Cost elements included in inventories are all procurement costs, conversion costs and all other relevant costs in bringing the inventories into their current state of manufacture and location. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 8). The cost of inventories is determined on the moving monthly average basis.

2.5.7 Impairment of assets

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on items that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.7 Impairment of assets (Continued)

Financial assets (Continued)

The Company books provision on its certain receivables for which the collection of such receivables may become doubtful in nature as a result of several factors. In addition to these estimated doubtful receivables, a provision is recorded regarding receivables that are past due and uncollected; in litigation or unpaid receivables for which a payment is demanded via writing or filed a formal protest by the creditor. Subsequent to the booking of the provision for the doubtful receivable, any full or partial recovery is deducted from the provision on doubtful receivables and recorded as income.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognized in the profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses recognized in respect of the cash generating units are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.8 Employee benefits

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

The Company makes compulsory premium payments to the Social Security Institution and does not have any other liabilities.

2.5.9 Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities is disclosed in the notes to the financial statements (Note 11).

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

2.5.10 Revenue

Revenue based on the fair value of the consideration taken from the sale of goods and services is recognized on an accrual basis when the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue is measured reliably, and recovery of the consideration and the inflow of economic benefits related with the transaction are probable. Net revenues represent the invoiced value of goods shipped less sales returns and sales discounts.

When the sales arrangement effectively constitutes a financing cost, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on accrual basis (Note 21).

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.11 Government grants

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

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

2.5.12 Finance income and expenses

Finance income is comprised interest income on time deposit, interest income from credit sales and foreign currency gains. Foreign exchange gain and losses are presented as a net basis. Finance expenses are comprised interest expenses of loans, factoring expenses and letter of guarantee commissions.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

2.5.13 Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax liability is recorded at the profit or loss except for the tax effects of accounts directly recorded in the equity or in the other comprehensive income.

Current tax liability includes the tax payable on the taxable income for the period, using tax rates enacted at the reporting date (Note 23).

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates based on the laws that have enacted by the reporting date. Temporary differences mainly arise from the timing differences of income and expenses accounted for reporting purposes and taxation purposes and depreciation method differences over tangible and intangible assets.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets when they are related to the income taxes levied by the same tax authority on the same taxable entity that intend to settle current tax liabilities and assets on a net basis or tax assets and liabilities will be realized simultaneously (Note 23).

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.14 Earning per share

Earnings per share disclosed in the profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period concerned (Note 24).

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

2.5.15 Subsequent events

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

2.5.16 Expenses

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

2.5.17 Paid-in capital and dividends

Ordinary shares are classified as paid-in capital (Note 15). Dividends distributed on ordinary shares are offset with retained earnings in the period in which they are declared.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.18 Related Parties

Subsidiaries, shareholders of the Company and companies of the shareholders, and also other companies managed by these companies or related to these companies and managers and directors of these companies are referred to as related parties according to IAS 24 – Related party disclosures (Note 25).

a) An individual or a close family member of such individual is considered as a related party with the Company under the following conditions:

Such individual,

(i) Has control or joint control over the Company,

(ii) Has significant influence on the Company,

(iii) Acts as a key member of the management for the Company or a subsidiary of the Company,

b) An entity is related to the Company if one of the following conditions has met:

(i) Both the Company and the entity belong to the same group of companies,

(ii) The Company is either a subsidiary (or member of the Group that the entity is already a member) or joint venture of the other entity

(iii) Both companies have a joint venture with a third party

(iv) One of the entities have a joint venture with a third party and other entity is a subsidiary of the third party

(v) The entity has post employment benefit plans for the employees of an entity related with the Company. In case such plan exists, the employers acting as sponsors are also related with the Company

(vi) The entity is controlled or jointly controlled by the individual as described at section (a)

(vii) The individual described at part (i) of section (a) has significant influence over the entity or acts as a key member of the management for the aforementioned entity (or a subsidiary of the entity).

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.19 Cash flow statement

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

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

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

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

2.5.20 Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

2.6 Use of Estimates and Judgments

The preparation of financial statements in conformity with accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

Dipnot 27	*– Determination of fair values*
Dipnot 23	*– Tax assets and liabilities*
Dipnot 13	*– Employee benefits*
Dipnot 2.5.3 ve 2.5.4	*– Useful lives of property, plant and equipment and intangible assets*
Dipnot 6.1	*– Impairment losses on accounts receivable*
Dipnot 8	*– Impairment losses on inventories*
Dipnot 11	*– Accrued liabilities*

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

3 - SEGMENT REPORTING

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

4 - CASH AND CASH EQUIVALENTS

At 31 December 2012 and 2011, cash and cash equivalents comprised the following:

	2012	**2011**
Cash at blockage**	3.008.164	1.249.342
Cheques at collection*	681.160	787.398
Banks		
Time deposit	--	27.950.966
Demand deposit	891.811	178.755
	4.581.135	**30.166.461**

** Cheques in collection are composed of the cheques which have not been transferred to the company's accounts as at 31 December, with a maturity date on or before 31 December. They have been recognized as cheques in collection because they have been collected 1 or 2 days later than their maturity dates.*

*** As at 31 December 2012, cash and cash equivalents consist of cash at blockage amounting to TL 3,008,164. At 17 March 2010, the Company has started to use Direct Borrowing System ("DBS") which reduces the collection risk and guarantee letter expenses. In accordance with the arrangements made with various banks, instead of the Company, the bank sets a credit limit to customers and the collection is performed by the bank. After the collection, the bank keeps the payments received at blockage.*

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

4 - CASH AND CASH EQUIVALENTS (Continued)

At 31 December 2012 and 2011, demand deposits comprised the following currencies (TL equivalents);

	2012	2011
TL	555.547	112.627
European Currency Unit ("EURO")	--	66.128
American Dollar ("USD")	336.264	--
	891.811	**178.755**

At 31 December 2012 and 2011, time deposits comprised the following currencies:

	2012	2011
TL	--	15.740.936
EURO	--	4.276.650
USD	--	7.933.380
	--	**27.950.966**

There is no time deposit as at 31 December 2012. (31 December 2011, time deposits are denominated in TL, Euro and USD and weighted average interest rates are 10.73 percent, 4.97 percent and 4.86 percent respectively).

For purposes of the statement of cash flows, cash and cash equivalents include bank deposits and short-term investments that are easily convertible to cash with high liquidity and with a maturity of up to three months.

Cash and cash equivalents included in the statement of cash flows for the periods ended 31 December are comprised the followings:

	2012	2011
Other cash equivalents	3.008.164	1.249.342
Cheques at collection	681.160	787.398
Banks		
Demand deposit	891.811	178.755
Time deposit	--	27.950.966
Less: Interest accruals	--	*(40.936)*
Less: Cash at blockage	*(3.008.164)*	*(1.249.342)*
	1.572.971	**28.876.183**

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

5 - BANK BORROWINGS

At 31 December 2012 and 2011, bank borrowings comprised the followings:

	2012	2011
Bank borrowings	**9.789.764**	**--**
TL	9.789.764	--
USD	--	--
Factoring loans	**4.686.619**	**5.233.090**
USD	3.876.092	3.573.091
EURO	810.527	1.659.999
	14.476.383	**5.233.090**

As at 31 December 2012, Company's short term borrowings include short term portion of factoring loans and bank borrowings. Receivables and payables related to the factoring activities are presented on gross basis on the face of the Statement of Financial Position due to the fact that factoring transactions are revocable in nature.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

6 - ACCOUNTS RECEIVABLE AND PAYABLE

6.1 Short-Term Accounts Receivable

At 31 December 2012 and 2011, short-term accounts receivables comprised the followings:

	2012	2011
Accounts receivable	70.020.074	61.192.477
Cheques receivable	13.474.431	11.352.109
Doubtful receivables	*895.847*	*1.126.452*
Less: Allowance for doubtful receivables	*(895.847)*	*(1.126.452)*
	83.494.505	**72.544.586**

At 31 December 2012, TL 1,541,148 of accounts receivable comprised due from related parties (At 31 December 2011: TL 1,175,654) in which detailed presentation is disclosed in Note 25.

The average collection period of trade receivables is 92.7 days (31 December 2011: 88 days) which can change according to the type of the product and the provisions of the agreement with the customer.

At 31 December 2012 and 2011, maturity profiles cheques and notes receivables are as follows:

Cheques	2012	2011
0 - 30 days	5.668.807	5.338.047
31 - 60 days	4.412.908	2.843.633
61- 90 days	*2.406.167*	*1.623.959*
91 days and over	*986.549*	*1.546.470*
Total	**13.474.431**	**11.352.109**

At 31 December, the movement of allowance for doubtful receivables comprised the followings:

	2012	2011
Beginning balance	1.126.452	1.104.337
Provision for the year	125.523	24.020
Collections during the year	--	*(1.905)*
Write offs	*(356.128)*	--
Period end	**895.847**	**1.126.452**

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

6 - ACCOUNTS RECEIVABLE AND PAYABLE (Continued)

6.2 Short-Term Accounts Payable

At 31 December 2012, short-term accounts payable amounts to TL 27,855,075 (31 December 2011: TL 22,827,894) arising from payable to various suppliers and the average payment period of trade payables is 29.4 days (31 December 2011: 30.9 days).

At 31 December 2012, TL 390,402 of accounts payable comprised due to related parties (31 December 2011: TL 504,454) in which detailed presentation is disclosed in Note 25.

7 - OTHER RECEIVABLES AND PAYABLES

7.1 Long-Term Other Receivables

At 31 December 2012, long-term receivables comprised deposits and collaterals amounting to TL 3,955 (31 December 2011: TL 3,955).

7.2 Short-Term Other Payables

At 31 December 2012, short-term other payables amounting to TL 33,785 (31 December 2011: TL 1,597) comprised the other personnel payables.

8 - INVENTORIES

At 31 December 2012 and 2011, inventories comprised the following:

	2012	2011
Raw materials and supplies	14.422.199	13.485.796
Finished goods	7.039.673	5.926.183
Trading goods	*930.327*	*546.009*
	22.392.199	**19.957.988**

At 31 December 2012 and 2011, inventories are accounted at cost and none of the inventories recognized at its net realizable value.

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

9 - PROPERTY, PLANT AND EQUIPMENT

31 Aralık 2012 tarihinde sona eren yıla ait maddi duran varlık hareketleri aşağıdaki gibidir:

Cost	1 Jan. 2012	Transfer	Additions	Disposals	31 Dec. 2012
Land	6.241.411	--	--	--	6.241.411
Land improvements	4.627.353	--	--	--	4.627.353
Buildings	42.516.607	17.260.362	1.300	(9.597)	59.768.672
Machinery and equipment	179.102.053	19.387.558	140.249	(4.568.972)	194.060.888
Furniture and fixtures	6.774.325	418.859	96.015	(117.903)	7.171.296
Leasehold improvements	72.875	--	--	--	72.875
Construction in progress	12.852.819	(37.066.779)	27.478.071	(454.982)	2.809.129
	252.187.443	**--**	**27.715.635**	**(5.151.454)**	**274.751.624**

Less: Accumulated depreciation	1 Jan. 2012	Charge for the period	Disposals	31 Dec. 2012
Land improvements	(2.839.473)	(128.873)	--	(2.968.346)
Buildings	(20.781.729)	(1.115.050)	4.557	(21.892.222)
Machinery and equipment	(147.988.791)	(8.791.696)	4.276.931	(152.503.556)
Furniture and fixtures	(6.296.418)	(227.074)	111.249	(6.412.243)
Leasehold improvements	(51.629)	(6.680)	--	(58.310)
Total accumulated depreciation	**(177.958.040)**	**(10.269.373)**	**4.392.737**	**(183.834.677)**
Net book value	**74.229.403**			**90.916.947**

For the year ended 31 December 2012, depreciation expenses amounting to TL 8,423,218 (31 December 2011: TL 10,100,683) has been recognized under cost of sales, TL 157,508 (31 December 2011: TL 171,994) has been included under administrative expenses, TL 815,649 has been recognized under other operating expenses and TL 872,998 (31 December 2011: TL 659,227) has been capitalized on stocks.

As at 31 December 2012 and 31 December 2011, there has been no pledge on property, plant and equipment.

For the year ended 31 December 2012 and year ended 31 December 2011, the Company utilizes tangible assets which have nil net book value on its accounts. (31 December 2012 Cost: TL 140,996,393; Accumulated Depreciation: TL 140,996,393; 31 December 2011 Cost: TL 109,235,405 Accumulated Depreciation: TL 109,235,405).

For the year ended 31 December 2012, the items transferred from construction in progress to the relevant items of plant, property and equipment are has depreciation expense of TL 1,410,766 (31 December 2011: TL 610,323).

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

For the year ended 31 December 2011, movement in the property, plant and equipment comprised the following:

Cost	1 Jan. 2011	Transfer	Additions	Disposals	31 Dec. 2011
Land	815.031	5.526.180	--	(99.800)	6.241.411
Land improvements	4.586.428	40.925	--	--	4.627.353
Buildings	33.899.659	8.626.112	--	(9.164)	42.516.607
Machinery and equipment	170.096.719	9.789.334	216,986	(1.000.986)	179.102.053
Furniture and fixtures	7.356.732	--	132,713	(715.12)	6.774.325
Leasehold improvements	56.540	--	16,335	--	72.875
Construction in progress	19.096.810	(23.982.551)	17.747.920	(9.360)	12.852.819
	235.907.919	**--**	**18.113.954**	**(1.834.430)**	**252.187.443**

Less: Accumulated depreciation	1 Jan. 2011	Charge for the period	Disposals	31 Dec. 2011
Land improvements	(2.676.516)	(162.957)	--	(2.839.473)
Buildings	(19.717.115)	(1.069.041)	4.427	(20.781.729)
Machinery and equipment	(138.581.282)	(10.399.061)	991.552	(147.988.791)
Furniture and fixtures	(6.757.204)	(238.990)	699.776	(6.296.418)
Leasehold improvements	(45.200)	(6.429)	--	(51.629)
Total accumulated depreciation	**(167.777.317)**	**(11.876.478)**	**1.696.755**	**(177.958.040)**
Net book value	**68.130.602**			**74.229.403**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

10 - INTANGIBLE ASSETS

For the year ended 31 December 2012, movement in the intangible assets comprised the following:

Cost	1 January 2012	Additions	31 December 2012
Software rights	792.457	5.755	798.212
	792.457	**5.755**	**798.212**
Less: Accumulated amortization	**1 January 2012**	**Charge for the period**	**31 December 2012**
Software rights	(705.695)	(41.891)	(747.586)
Total accumulated amortization	**(705.695)**	**(41.891)**	**(747.586)**
Net book value	**86.762**		**50.626**

For the year ended 31 December 2011, movement in the intangible assets comprised the following:

Cost	1 January 2011	Additions	31 December 2011
Software rights	708.673	83.784	792.457
	708.673	**83.784**	**792.457**
Less: Accumulated amortization	**1 January 2011**	**Charge for the period**	**31 December 2011**
Software rights	(663.638)	(42.057)	(705.695)
Total accumulated amortization	**(663.638)**	**(42.057)**	**(705.695)**
Net book value	**45.035**		**86.762**

For the year ended 31 December 2012, amortization expenses amounting to TL 41,891 (31 December 2011: TL 42,057) have been included in administrative expenses.

At 31 December 2012 and 2011, the Company utilizes intangible assets which have nil net book value on its accounts (31 December 2012 Cost: TL 696,241, Amortization: TL 696,241; 31 December 2011 Cost: TL 610,865, Amortization: TL 610,865).

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

11 - ACCRUED LIABILITIES

At 31 December 2012 and 2011, short-term provisions are comprised the following:

	2012	2011
Provisions for personnel premium (*)	2.199.286	2.210.334
Other administrative expense accruals (**)	831.825	645.099
Miscellaneous provisions for expenses	*223.394*	*112.735*
Provisions for litigations	*25.872*	*30.947*
	3.280.377	**2.999.115**

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

	1 Jan. 2012	Additions	Payments	Reversal	31 Dec. 2012
Provisions for personnel premium(*)	2.210.334	2.199.286	(2.210.334)	--	2.199.286
Other administrative expense accruals (**)	645.099	831.825	(645.099)	--	831.825
Miscellaneous provisions for expenses	112.735	11.548.799	(8.059.834)	(3.378.306)	223.394
Provisions for litigations	30.947	--	(5.075)	--	25.872
	2.999.115	**14.579.910**	**(10.920.342)**	**(3.378.306)**	**3.280.377**

For year ended 31 December 2011, the movement of provisions is as follows:

	1 Jan. 2011	Additions	Payments	Reversal	31 Dec. 2011
Provisions for personnel premium(*)	1.872.256	2.210.334	(1.872.256)	--	2.210.334
Other administrative expense accruals (**)	456.622	645.099	(456.622)	--	645.099
Miscellaneous provisions for expenses	--	14,471,651	(6,414,071)	(7,944,845)	112.735
Provisions for litigations	30.947	--	--	--	30.947
	2.359.825	**17,327,084**	**(8,742,949)**	**(7,944,845)**	**2.999.115**

(*) Provisions for personnel premium are the bonus premiums that are determined according to performance criteria by İzocam's Board of Directors.

(**) Other administrative expense accruals are comprised natural gas expense provisions.

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

12 - COMMITMENTS

According to the decision of CMB on 29 September 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party's debts,

The commitments given;

For companies other than publicly owned associations and financial institutions;

i) For their own corporate identities

ii) In favor of fully consolidated associations

iii) In favor of 3rd parties to continue their operations will not be limited.

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

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

	2012	2011
A Commitments given in the name of own legal Entity	15.191.195	7.511.195
B Commitments given in favor of full consolidated Subsidiaries	--	--
C Commitments given to guarantee the debts of third parties to continue their operations	--	--
D Other commitments given;	--	--
- in favor of parent company	--	--
- in favor of group companies other than mentioned in bullets B and C	--	--
- in favor of group companies other than mentioned in bullets B and C	--	--
Total	**15.191.195**	**7.511.195**

At 31 December 2012 and 2011, 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.

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

12 - COMMITMENTS (Continued)

At 31 December 2012 and 2011, non-cancellable operating lease rentals are payable as follows:

	2012	2011
1. year	219.534	679.122
2. year	--	228.131
	219.534	**907.253**

As at 31 December 2012, 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.

13 - EMPLOYEE BENEFITS

At 31 December 2012 and 2011, employee benefits comprised the followings:

	2012	2011
Provision for employee severance indemnity	6.059.796	4.120.567
Long term portion of vacation pay liability	1.534.227	1.343.874
Long term portion of employee benefit	**7.594.023**	**5.464.441**
Short term portion of vacation pay liability	95.570	79.885
	7.689.593	**5.544.326**

Provision for employee severance indemnity has been set as follows:

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

The severance pay is calculated as one month gross salary for every employment year and as at 31 December 2012 the ceiling amount has been limited to TL 3,033.98 (31 December 2011: TL 2,731,.85).

The liability is not funded, as there is no funding requirement.

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

13 - EMPLOYEE BENEFITS (Continued)

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

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

	31 December 2012	31 December 2011
Discount rate %	2,38	3,91
Turnover rate to estimate the probability of retirement %		
Age range 18 - 24	12	20
Age range 25 – 29	7	4
Age range 30 – 39	3	3
Age range 40 – 44	1	--
Age range 45 – 49	1	--
Age range 50 – 69	1	4

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

The movement of employee severance indemnity is as follows:

	2012	2011
Opening balance	4.120.567	2.885.184
Interest cost	329.721	131.847
Cost of services	528.492	304.837
Payments made during the period	(1.018.972)	(638.102)
Actuarial difference	2.099.988	1.436.801
Ending balance	**6.059.796**	**4.120.567**

Actuarial difference arises from the changes in interest rates and changes in expectations about the salary increases. In addition to that, the number of employees that receive their indemnity before retirement increased the difference. Actuarial differences are recorded as incurred. As at 31 December 2012, interest cost portion is recorded as finance expense where as cost of services and actuarial difference portions are recorded as general administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

13 - EMPLOYEE BENEFITS (Continued)

The movement of vacation pay liability for the years as at 31 December is as follows:

	2012	2011
Opening balance	1.423.759	1.180.328
Additions during the period	332.184	488.750
Reversal	(126.146)	(245.319)
Ending balance	**1.629.797**	**1.423.759**

14 - OTHER ASSETS AND LIABILITIES

14.1 Other Current Assets

At 31 December 2012 and 2011, other current assets comprised the following:

	2012	2011
Advances given for fixed asset (*)	2.893.740	155.092
Deferred value added tax ("VAT")	872.611	--
Prepaid expenses	545.762	110.406
VAT for export receivables	205.380	127.500
Advances given for inventory	79.858	16.938
Advances given to personnel	14.705	5.721
Job advances	5.281	18.128
Other	218.730	76.669
	4.836.067	**510.454**

(*) At 31 December 2012, advances given for fixed asset represents the advance amount that has been given for fixed assets related with the new factory that will be built in "Kocaeli-Gebze V (Kimya) Organize Sanayi Bölgesi".

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

14 - OTHER ASSETS AND LIABILITIES (Continued)

14.2 Other Non-Current Assets

At 31 December 2012, non-current assets amounting to TL 873 (31 December 2011: TL 1,824) comprised long term portion of prepaid assets.

14.3 Other Short-Term Liabilities

At 31 December 2012 and 2011, other short-term liabilities comprised the following:

	2012	2011
Withholding taxes and duties	1.617.183	1.603.653
Social security premium payable	450.436	808.210
VAT Payable – "As Responsible Party"	253.388	175.049
Retirement pension plan payables	90.768	85.483
VAT Payable – "As Tax-Payer"	--	1.182.326
Other	7.894	7.190
	2.419.669	**3.861.922**

15 - EQUITY

15.1 Paid-in Capital / Inflation Adjustment on Capital

At 31 December 2012, the paid-in capital of the Company comprises of 2,453,414,335 shares issued (31 December 2011: 2,453,414,335 shares of kr 1 each) of kr 1 each. There are no privileges given to different groups or shareholders. The shareholder structure of the Company is as follows:

	31 December 2012		31 December 2011	
	Shares	Ownership interest %	Shares	Ownership interest %
İzocam Holding	15.004.304	61,16	15.004.304	61,16
İzocam Holding (Publicly traded)	8.320.173	33,91	8.320.173	33,91
Other (Publicly traded)	1.209.666	4,93	1.209.666	4,93
	24.534.143	**100,00**	**24.534.143**	**100,00**
Inflation Adjustment on Capital	25.856.460		25.856.460	
	50.390.603		**50.390.603**	

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

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

15 - EQUITY (Continued)

15.2 Other Equity Items

In accordance with the Communiqué No: XI-29 issued on 9 April 2008 in the Official Gazette; equity items of paid-in capital, share premiums, and legal reserves and special reserves under restricted reserves should be presented at their nominal amounts. Accordingly the inflation adjustments provided for within the framework of TFRS, for paid-in capital has been presented under inflation adjustment on capital, where as for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings. Other equity items have been presented at TFRS values.

Equity items are presented at their nominal values in the financial statements. The inflation effect on those equity items are as follows:

31 December 2012	**Nominal value**	**Inflation adjustment**	**Restated values**
Share premiums	1.092	223.408	224.500
Restricted reserves	29.982.894	23.641.953	53.624.847
Legal reserves	29.982.848	18.710.928	48.693.776
Special reserves(*)	46	4.931.025	4.931.071
Extraordinary reserves	21.263.482	(1.496.872)	19.766.610
	51.247.468	**22.368.489**	**73.615.957**
31 December 2011	**Nominal value**	**Inflation adjustment**	**Restated values**
Share premiums	1.092	223.408	224.500
Restricted reserves	27.105.565	23.641.953	50.747.518
Legal reserves	27.105.519	18.710.928	45.816.447
Special reserves(*)	46	4.931.025	4.931.071
Extraordinary reserves	19.516.370	(1.496.872)	18.019.498
	46.623.027	**22.368.489**	**68.991.516**

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

Extraordinary reserves have been presented under retained earnings in accordance with Communiqué No: XI-29.

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

15 - EQUITY (Continued)

15.3 Dividend Distribution

The legal reserves consist of first and second legal reserves in accordance to the Turkish Commercial

Code ("TCC"). The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Company's statutory accounts until it reaches 20 percent of paid-in share capital. Second legal reserves are generated by annual appropriations of 1/10 of dividend distributions, in excess of 5 percent of paid-in capital if the dividend distribution is made in accordance with CMB Regulations. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5 percent of paid-in capitals are to be appropriated. First and second level legal reserves shall not be distributed unless they exceed 50% of paid-in capital but they can be utilized to offset losses under conditions where all voluntary reserves have already been used by the company. At 31 December 2012, legal reserves of the Company amount to TL 29,982,848 (31 December 2011: TL 27,105,519).

According to the decision of CMB on 25 February 2009 numbered 7/242 the net amount of distributable profit that is calculated per CMB's minimum profit distribution requirements will be wholly distributed if met by the net distributable profit of statutory records, if the amount per CMB is not met by statutory records, the amount to be distributed will be limited to the amount at the statutory records. If losses are incurred in either of CMB or statutory financial statements, no profit will be distributed.

In chapter 1 of 2010/4 weekly bulletin of CMB, to determine the principles of dividend obtained from 2008 operations of corporations coated to stock exchange market, it is stated that;

- *For corporations traded at stock exchange market, there is not a determined minimum portion of distribution; in this aspect the profit to be distributed will be determined in line with the announcements of CMB Serial IV, Number 27, the articles of the incorporation and will be in accordance with the declarations made to public.*

- *For corporations that is obliged to issue consolidated financial statements, as long as met from the statutory profit; it is permitted to calculate the net distributable profit in line with the CMB's Serial XI, Number 29 "Bases for Financial Reporting at Capital Markets" announcement which is also the profit declared at the consolidated financial statements.*

- *The Corporation shall disclosure statutory current year profit after previous year losses deducted and total amount of other resources made object of dividend in financial statements prepared in accordance with CMB Communiqué serial: XI Number: 29.*

- *For corporations traded at stock exchange market, when it is decided to distribute profits at the board of directors meeting and will be proposed to the general assembly of the company, or when profit distribution is decided at the general assembly of the direct partnerships; correspondent to that decision in accordance with the announcement of CMB's Serial VIII, Number 54 "Bases for the Declaration of Special Situations", in the appendix of special situation announcement, the profit distribution tables of the Profit Distribution Preparation Guideline will also be declared.*

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

15 - EQUITY (Continued)

As at 31 December 2012 and 2011, according to the matters above the equity accounts of the Company per CMB's announcement Serial XI, Number 29 are:

	2012	2011
Paid-in capital	24.534.143	24.534.143
Inflation adjustment on capital	25.856.460	25.856.460
Restricted reserves		
Legal reserves	29.982.848	27.105.519
Special reserves	46	46
Inflation adjustment on legal reserves	18.710.928	18.710.928
Extraordinary reserves	19.976.604	18.229.492
Special reserves	4.931.025	4.931.025
Inflation adjustment on share premium	223.408	223.408
Share premium	1.092	1.092
Net Profit	24.061.792	34.624.441
	148.278.348	**154.216.554**

In the ordinary general assembly held on 26 March 2012, it has been decided that TL 34,624,441 of the Company's net profit as at 31 December 2011 amounting to TL 30,000,000 would be distributed as cash dividend. Additionally TL 2,877,329 will be transferred to second legal reserves. At 31 December 2012, TL 30,000,000 of TL 29,988,760 total dividend has been paid.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

16 - SALES AND COST OF SALES

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

	2012	2011
Domestic sales	278.238.445	250.929.843
Export sales	58.908.369	52.647.528
Other	399.039	151.551
Gross sales	337.545.853	303.728.922
Less: Sales returns and discounts	(19.253.368)	(17.297.589)
Net sales	318.663.802	286.431.333
Less: Cost of sales	(239.176.488)	(204.988.643)
Gross profit	**79.115.997**	**81.442.690**

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

	2012	2011
Raw materials consumables used	215.893.393	180.527.982
Personnel expenses	16.357.685	15.237.629
Depreciation	8.423.218	10.100.683
Changes in inventories	(1.497.808)	(877.651)
Cost of Sales	**239.176.488**	**204.988.643**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

17 - SELLING, MARKETING AND DISTRIBUTION EXPENSES

For the years ended 31 December, selling, marketing and distribution expenses comprised the following:

	2012	2011
Freight insurance expenses	19.711.625	15.669.684
Wages and salaries	6.272.173	5.621.676
License expenses	2.661.854	2.648.522
Storage expenses	1.766.252	1.440.712
Advertisement expense	1.305.419	940.034
Dealer expenses	1.092.614	888.116
Sales commissions	813.067	1.129.308
Transportation expenses	772.386	739.478
Guarantee letter expenses	510.481	608.245
Travel expenses	362.412	265.646
Exhibition and fair expenses	357.055	423.923
Public relations expenses	204.871	268.566
Rent expenses	156.159	149.896
Other	537.734	665.443
	36.524.102	**31.459.249**

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

18 - ADMINISTRATIVE EXPENSES

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

	2012	2011
Personnel expenses	8.712.998	7.134.326
IT Expenses	443.266	504.857
Transportation expenses	378.397	358.024
Repair, maintenance and energy	275.312	191.425
Consultancy expenses	257.680	261.491
Communication expenses	213.571	240.942
Depreciation and amortization (Note 9 and 10)	199.399	214.049
Representation expenses	194.368	156.719
Duties, taxes and levies	156.068	178.923
Litigation costs	142.040	133.431
Subscription fees	137.513	217.173
Travel expenses	87.564	94.344
Insurance expenses	70.906	44.331
Stationary expenses	64.704	50.764
General assembly expenses	51.541	23.366
Donations (*)	10.356	65.595
Other	1.183.938	890.268
	12.579.621	**10.760.028**

(*) For the year ended 31 December 2012, the amount of donations given to associations and charitable foundations is amounting to TL 10,356 (31 December 2011: 65,395).

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

19 - EXPENSES BY NATURE

For the years ended 31 December, nature of expenses are disclosed in Notes 9, 10, 16, 17, 18, 20, 22 and 23.

For the years ended 31 December, personnel expenses comprised the following:

	2012	2011
Additional salaries	16.513.716	15.385.106
Salaries	12.815.272	11.514.819
Severance pay	2.013.868	1.093.706
	31.342.856	**27.993.631**

20 - OTHER OPERATING INCOME/EXPENSE

Other Operating Income

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

	2012	2011
Other operating income (*)	85.676	63.879
Collections from insurance contracts	44.540	54.229
Other provisions no longer required	5.075	26.151
Gain on sale of property, plant and equipment	--	57.181
Collections from doubtful receivables	--	1.905
	135.291	**203.345**

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

20 - OTHER OPERATING INCOME/EXPENSE (Continued)

Other Operating Expense

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

	2012	2011
Non-operating expenses	972.261	--
Provision for doubtful receivables	125.523	24.020
Loss on sale of property, plant and equipment	89.235	29.511
Other (*)	70.707	21.591
	1.257.726	**75.122**

(*) Other consists of expenses related to certificates of insolvency during previous periods; late charges and expenses related to sales and commission accruals that were not fully accrued.

21 - FINANCE INCOME

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

	2012	2011
Interest income on sales on credit terms	4.403.045	3.708.877
Interest income on time deposits	258.239	672.462
Foreign exchange gains	--	189.872
	4.661.284	**4.571.211**

22 - FINANCE EXPENSE

For the years ended 31 December, finance expense comprised the following:

	2012	2011
Interest expense on borrowings	1.803.118	473.315
Foreign exchange losses	1.064.159	--
Actuarial interest cost	329.721	131.847
	3.196.998	**605.162**

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

23 - TAX ASSETS AND LIABILITIES

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

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

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

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

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

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

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

According to the article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing" and the Transfer Pricing Communiqué No,1 which regulate the transfer pricing rules; Taxpayers, who file their corporate tax returns at the "VIP Taxpayers' Tax Office" are required to prepare an annual transfer pricing report for domestic and international related party transactions, Other corporate taxpayers are required to prepare transfer pricing report only for their international related party transactions, The communiqué states that documentation should be prepared by corporate tax return submission date, and it should be submitted to the tax authorities upon their request,

The Company files corporate tax returns at the "VIP Taxpayers' Tax Office" and is required to prepare an annual transfer pricing report for domestic and international related party transactions by corporate tax return submission date, However, the Company has not finalized the transfer pricing report as at reporting date,

At 31 December, total tax liability comprised the following:

	2012	**2011**
Corporate tax provision	5.936.077	9.911.243
Prepaid tax	(4.015.128)	(7.060.182)
Total	1.920.949	2.851.061
Deferred tax asset / (liability)	322.128	(34.126)
	2.243.077	**2.816.935**

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

23 - TAX ASSETS AND LIABILITIES (Continued)

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

	2012	2011
Current tax	(5.936.077)	(9.911.243)
Deferred tax debit	(356.254)	1.217.999
	(6.292.331)	**(8.693.244)**

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

	2012		2011	
		%		%
Profit before tax	30.354.125		43.317.685	
Tax rate	20		20,00	
Taxes on reported profit per statutory tax rate	(6.070.825)	(20,00)	(8.663.537)	(20,00)
Disallowable expenses	(221.506)	(0,7)	(39.745)	(0,09)
Other	--	--	3.849	0,02
Tax provision	**(6.292.331)**	**(20,07)**	**(8.693.244)**	**(20,07)**

23.1 Deferred Tax Assets and Liabilities

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

The Company recognizes deferred tax assets in the financial statements by taking into consideration the factors such as the developments in the sector that the Company is operating, taxable income in the forthcoming years, Turkey's general economic and political situation, and/or global economic and political situations, The Company expects to generate taxable income in the forthcoming years and considers Turkey's economic and political situation shows clear positive developments, Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in the forthcoming years under the balance sheet method using a principal tax rate of 20 percent (2011: 20 percent),

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

23 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and deferred tax liabilities at 31 December 2012 and 2011 were attributable to the items detailed in the table below:

	2012 Deferred tax		2011 Deferred tax	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Employee severance indemnity	1.211.959	--	824.113	--
Vacation pay liability	325.959	--	284.752	--
Unrecognized interest expense	52.439	--	96.110	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(1.755.677)	--	(1.039.004)
Others	30.407	(187.215)	--	(131.845)
	1.620.764	(1.942.892)	1.204.975	(1.170.849)
Offsetting	(1.620.764)	1.620.764	(1.170.849)	1.170.849
	--	**(322.128)**	**34.126**	**--**

The movement of deferred tax assets and liabilities is as follow:

	1 Jan. 2011	Profit or (loss)	31 Dec. 2011	Profit or (loss)	31 Dec. 2012
Employee severance indemnity	577.037	247.076	824.113	387.846	1.211.959
Vacation pay liability	236.066	48.686	284.752	41.207	325.959
Unrecognized interest expense	37.456	58.654	96.110	(43.671)	52.439
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(2.034.432)	995.428	(1.039.004)	(716.673)	(1.755.677)
Other	--	(131.845)	(131.845)	(24.963)	(156.808)
	(1.183.873)	**(1.217.999)**	**34.126**	**(356.254)**	**(322.128)**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

24 - EARNINGS PER SHARE

Earnings per share is computed by dividing the net profit for the year ended 31 December 2012 amounting to TL 24,061,794 (31 December 2011: TL 34,624,441) to the weighted average of the shares during these periods.

	2012	2011
Net Profit	24.061.794	34.624.441
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335
Earnings per share (Kr per share)	**0,00981**	**0,01411**

25 - RELATED PARTIES

25.1 Due from Related Parties

At December 2012 and 2011, due from related parties comprised the following:

	2012	2011
Saint-Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret Anonim Şirketi ("Saint-Gobain Weber")	1.428.016	1.091.960
Saint Gobain Recherche ("SG Recherche")	42.277	33.313
Saint-Gobain Isover CRIR	37.523	--
Saint-Gobain Rigips Alçı Sanayi ve Ticaret Anonim Şirketi ("SG Rigips")	15.707	--
Saint Gobain Isover Italia S,P,A, ("SG Isover Italia")	12.215	17.377
Kuwait Insulating Material MFG CO, ("KIMCO")	3.574	--
Alghanim Industries Corporate Office ("AICO")	2.236	--
Saint-Gobain Gradevınskı Proızvodı d,o,o, ("SG GP")	--	33.004
	1.541.548	**1.175.654**

As at 31 December 2012 there are collaterals taken from related parties amounting to TL 7,761 (31 December 2011: TL 25,574).

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

25 - RELATED PARTIES (Continued)

25.2 Due to Related Parties

At 31 December 2012 and 2011, due to related parties comprised the following:

	2012	2011
Saint Gobain Isover (Royalite)	144.538	148.084
Grunzweig Hartman AG ("Grunzweig")	146.505	263.533
Saint Gobain Glass Italia S,P,A,("SG Glass Italia")	--	2.874
Other	99.359	89.963
	390.402	**504.454**

25.3 Sales to Related Parties

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

	2012	2011
Saint Gobain Weber Markem	6.391.165	7.453.547
KIMCO,	199.150	24.945
SG GP	164.542	33.004
Saint-Gobain Savoie Refractaires	108.328	--
Isover Ireland	44.772	--
SG Isover Italya,	44.206	108.632
Saint Gobain Recherche	20.773	32.856
SG Rigips	13.645	233
AICO	2.251	--
Saint Gobain Hellas Abee	--	15.428
Saint Gobain Isover	--	1.004
	6.988.832	**7.669.649**

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

25 - RELATED PARTIES (Continued)

25.4 Purchases from Related Parties

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

	2012	2011
Saint Gobain Weber Markem	2.392.272	4.924.062
Saint Gobain Isover (Royalite)	1.144.476	1.108.487
Grunzweig (Royalite)	836.278	852.480
Saint Gobain - İsover (Almanya)	347.918	17.419
KIMCO,	57.354	--
SG Rigips	13.180	3.003
SG Recherche	11.007	--
Saint-Gobain Isover France	5.477	--
SG Glass Italia	1.524	7.028
Saint-Gobain Isover SA	1.454	--
Saint Gobain Isover Austria GmbH	--	5.727
Saint Gobain Weber Markem	--	527
	4.810.940	**6.918.733**

25.5 Other Transaction with Related Parties

For years ended 31 December 2012 and 2011, other transactions with related parties comprised the following:

Dividends paid	2012	2011
İzocam Holding	28.520.924	27.278.769
Central Record Institution ("CRI")	1.467.836	1.403.744
Other(*)	11.240	16
	30.000.000	**28.682.529**

(*) At 31 December 2012, dividends to other parties balance of TL 11,240 has not been paid and remains as a payable on the balance sheet.

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

25 - RELATED PARTIES (Continued)

25.6 Remuneration to Top Management

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

Short term benefits:	**2012**	**2011**
(Salaries, premiums, housing, company cars, social securities, health insurance, vacation payments and etc,)	2.918.237	2.811.729
Other long term benefits:		
(Indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc,)	267.639	187.797
TOTAL	**3.185.876**	**2.999.526**

26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

26.1 Financial Risk Management

The Company has exposure to the following risks from its operations:

- *Credit Risk*
- *Liquidity Risk*
- *Market Risk*

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

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

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

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

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

26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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

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

26.1.1 Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party, These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party, The ownership of financial assets is campaigned by the risk that the other party does not fulfill the contract, The management of the Company covers these risks by limiting the average risk for other party (except related parties) in all contracts and receiving guarantees if necessary, The Company works through agency system within Turkey to a great extent, The Company minimizes the collection risk by the guarantee letters taken from agencies, liens and commitment notes received before the sale and controls the orders of agencies out of guarantee by comparing these guarantees received from the agencies with their receivables, Additionally, the Company guarantees its receivables through direct borrowing system by the agreements of various banks, The Company is exposed to credit risk amounting to TL 8,828,415 (31 December 2011: TL 8,889,931) which is not covered by colleterals and DBS guarantees, Provisions made for doubtful receivables are within reasonable borders based on the past experiences of the Company in collection of accounts receivable, Therefore, the management does not foresee any additional risk relating to accounts receivable more than provisions made.

26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

26.1.2 Liquidity risk

The ability to fund the existing and prospective debt requirements is managed by obtaining adequate funding lines from high quality lenders,

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation,

At 31 December 2012 the Company has guaranteed the receivables amounting to TL 101,133,150 (31 December 2011: TL 94,093,000) via Direct Borrowing System aiming to avoid liquidity risk, The Company has also obtained factoring loans amounting to TL 4,686,619 (31 December 2011: TL 5,233,090) and while making early collection; increases the liquidity position and avoids foreign exchange loss risk,

26.1.3 Market risk

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

Currency risk

The Company is exposed to currency risk due to its import transactions and borrowings in foreign currency. These transactions are held in USD and Euro. As of 26 January 2010, the Company has entered to factoring transactions in order to avoid currency risk. Therefore; the Company is able to collect its receivables before their maturities as TL.

Interest Rate Risk

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

26.2 Risk Management Disclosures

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

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

26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

26.2.1 Interest rate risk

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

Fixed interest rate financial instruments		2012	2011
Cash and cash equivalents	Note 4	--	27.950.966
Bank borrowings	Note 5	14.476.383	5.233.090

26.2.2 Credit risk

Credit risk is diversified since there are many counterparties in the customer database, The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, Approximately 8,71 percent of the Company's revenue is attributable to sales transactions with a single customer,

The geographical concentration of receivables excluding related parties exposed to the credit risk at 31 December 2012 and 31 December 2011 are as follow:

	31 Dec. 2012	31 Dec. 2011
1, and 5, District Offices (Marmara, West Black Sea Regions)	38.247.970	29.404.185
2, District Office (Central Anatolia, Middle Black Sea Regions)	15.545.022	19.910.702
3, District Office (South East Anatolia, East Anatolia, East Black Sea Regions)	11.233.532	7.447.001
4, District Office (Aegean and Mediterranean Sea Regions)	11.859.854	9.825.938
Middle East, Balkans, Africa and Others	5.066.579	4.781.106
	81.952.957	**71.368.932**

At 31 December 2012, the Company has a letter of guarantee amounting to TL 10,810,675 (31 December 2011:TL 16,555,596) mortgage amounting to TL 729,000 (31 December 2011: TL 2,254,000), Eximbank guarantee amounting to TL 13,213,744 (31 December 2011: TL 10,479,168), collaterals received as notes amounting to TL 831,874 (31 December 2011: TL 800,384) and direct borrowing system guarantees amounting to TL 101,133,150 (31 December 2011: TL 94,093,000), The Company does not have collaterals received as cash at 31 December 2012 (31 December 2011: nil),

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2012	Receivables Trade Receivables		Deposits on Banks	Other (Commitments given)
	Related Party	Others		
Exposure to maximum credit risk as at reporting date (A+B+C+D+E) *	1.541.548	81.952.957	891.811	15.191.195
A, Net carrying value of financial assets which are neither impaired nor overdue	1.541.548	75.042.519	891.811	--
B, Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	--	--	--
C, Net carrying value of financial assets which are overdue but not impaired	--	6.910.438	--	--
- The portion covered by any guarantee	--	6.278.621	--	--
D, Net carrying value of impaired assets	--		--	--
- Past due (gross book value)	--	895.847	--	--
- Impairment (-)	--	(895.847)	--	--
- Covered portion of net book value (with letter of guarantee etc,)	--	--	--	--
E, Off balance sheet items with credit risks	--	--	--	15.191.195

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

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

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

For the period ended 31 December 2012 past due but not impaired accounts receivables (except due from related parties) are as follows:

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

26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2012	Receivables	
	Trade Receivables	Trade Receivables
Past due 1-30 days	3.871.916	--
Past due 1-2 months	793.934	--
Past due 3-6 months	1.606.161	--
More than 6 months	638.427	--
The portion secured by guarantee**	6.278.621	--

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

31 December 2011	Receivables Trade Receivables		Deposits on Banks	Other (Commitments given)
	Related Party	Others		
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	1.175.654	71.368.932	28.129.721	7.511.195
A, Net carrying value of financial assets which are neither impaired nor overdue	1.175.654	64.186.711	28.129.721	--
B, Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	--	--	--
C, Net carrying value of financial assets which are overdue but not impaired	--	7.182.221	--	--
- The portion covered by any guarantee	--	6.221.575	--	--
D, Net carrying value of impaired assets	--		--	--
- Over due (gross book value)	--	1.126.452	--	--
- Impairment (-)	--	(1.126.452)	--	--
- Covered portion of net book value (with letter of guarantee etc,)	--	--	--	--
E, Off balance sheet items with credit risks	--	--	--	7.511.195

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

26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

For the year ended 31 December 2011, past due but not impaired accounts receivables (except due from related parties) are as follows:

31 December 2011	Receivables	
	Trade Receivables	Trade Receivables
Past due 1-30 days	2.799.773	--
Past due 1-3 months	2.312.102	--
Past due 3-12 months	1.451.479	--
Past due 1-5 years	618.867	--
More than 5 years	--	--
The portion secured by guarantee**	6.221.575	--

*** At 31 December 2012, the Company has guaranteed its receivables by letter of guarantee amounting to TL 297,043 (31 December 2011: TL 802,086), direct debit system guarantees amounting to TL 4,201,550 (31 December 2011: TL 4,234,994), mortgage amounting to TL 15,508 (31 December 2011: TL 83,740), Eximbank guarantee amounting to TL 1,764,519 (31 December 2011: TL 1,100,755), As at 31 December 2012, the Company does not have any cheque for guarantee (31 December 2011: None), As at 31 December 2012, the Company does not have notes for guarantee (31 December 2011: None), For the years ended 31 December 2012 and 31 December 2011 the Company has not utilized all these guarantees by means of collecting its receivable balances in cash terms,*

26.2.3 Guarantees

In accordance with the Company policy, total guarantees given amounting to TL 15,191,195 (31 December 2011: TL 7,511,195) are given to custom offices, domestic suppliers, banks and tax offices,

26.2.4 Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2012 and 31 December 2011, net position of the Company is resulted from foreign currency assets and liabilities:

FOREIGN CURRENCY POSITION						
	31 December 2012			31 December 2011		
	TL (Functional Currency)	USD	Euro	TL (Functional Currency)	USD	Euro
1,Trade receivables	**14.299.744**	**7.239.837**	**592.767**	**10.354.515**	**4.277.183**	**931.068**
2, Monetary financial assets	462.628	235.808	17.977	12.276.159	4.200.000	1.777.060
3,Current Assets	14.762.372	7.475.645	610.744	22.630.674	8.477.183	2.708.128
4,Total Assets	14.762.372	7.475.645	610.744	22.630.674	8.477.183	2.708.128
5,Trade payables	**(4.453.556)**	**(1.253.405)**	**(943.673)**	**(2.548.616)**	**(900.896)**	**(346.556)**
6,Financial liabilities	(4.686.620)	(2.174.404)	(344.656)	(5.233.089)	(1.891.625)	(679.270)
7,Short-term Liabilities	(9.140.176)	(3.427.809)	(1.288.329)	(7.781.705)	(2.792.521)	(1.025.826)
8,Total Liabilities	(9.140.176)	(3.427.809)	(1.288.329)	(7.781.705)	(2.792.521)	(1.025.826)
Total	**5.622.196**	**4.047.836**	**(677.585)**	**14.848.969**	**5.684.662**	**1.682.302**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

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

26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Currency Sensitivity Analysis 31 December 2012		
USD: 1,7826	**Profit/Loss**	
EURO: 2,3517	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Assumption of devaluation/appreciation by 10% of USD against TL		
1-Net USD asset/liability	721.567	(721.567)
2-USD risk averse portion (-)	--	--
3-Net USD Effect (1+2)	**721.567**	**(721.567)**
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	(159.348)	159.348
5-Euro risk averse portion (-)	--	--
6- Net Euro Effect (4+5)	**(159.348)**	**159.348**
Assumption of devaluation/appreciation by 10% of other currencies against TL		
7-Other currency net asset/liability	--	--
8-Other currency risk averse portion (-)	--	--
9-Net other currency effect (7+8)	--	--
Total(3+6+9)	**562.219**	**(562.219)**

Currency Sensitivity Analysis 31 December 2011		
USD: 1,8889	**Profit/Loss**	
EURO: 2,4438	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Assumption of devaluation/appreciation by 10% of USD against TL		
1-Net USD asset/liability	1.073.776	(1.073.776)
2-USD risk averse portion (-)	--	--
3-Net USD Effect (1+2)	**1.073.776**	**(1.073.776)**
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	411.121	(411.121)
5-Euro risk averse portion (-)	--	--
6- Net Euro Effect (4+5)	**411.121**	**(411.121)**
Assumption of devaluation/appreciation by 10% of other currencies against TL		
7-Other currency net asset/liability	--	--
8-Other currency risk averse portion (-)	--	--
9-Net other currency effect (7+8)	--	--
Total(3+6+9)	**1.484.897**	**(1.484.897)**

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

26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

For the periods ended 31 December 2012 and 31 December 2011, total import and export of the Company comprised the following:

	31 Aralık 2012	31 Aralık 2011
Total exports	58.908.369	52.647.528
Total imports	76.255.146	68.871.315

26.2.5 Liquidity risk

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

The below tables show the monetary liabilities of the Company according to their remaining maturities at 31 December 2012 and 31 December 2011:

	31 December 2012					
FINANCIAL LIABILITIES	**Book Value**	**Total contractual cash outflows**	**0-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and More**
Bank borrowings	14.476.383	14.476.383	14.476.383	--	--	--
Trade and other payables	27.464.673	27.464.673	27.464.673	--	--	--
Due to related parties	390.402	390.402	--	390.402	--	--
Other liabilities	98.662	98.662	98.662	--	--	--
Total monetary liabilities	**42.430.120**	**42.430.120**	**42.039.718**	**390.402**	**--**	**--**

FINANCIAL LIABILITIES	31 December 2011					
Bank borrowings	5.233.090	5.233.090	5.233.090	--	--	--
Trade and other payables	22.323.440	22.323.440	22.323.440	--	--	--
Due to related parties	504.454	504.454	--	504.454	--	--
Other liabilities	92.673	92.673	92.673	--	--	--
Total monetary liabilities	**28.153.657**	**28.153.657**	**27.649.203**	**504.454**	**--**	**--**

27 - FINANCIAL INSTRUMENTS

Determination of Fair Values

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

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

Accounts receivable and payables

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

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

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

Fair values of financial liabilities

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

Other

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

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

During the Board of Directors meeting on 22 September 2012, the Company unanimously voted for the initiation of the sale process, commencement of selection and signing of an agreement as well as valuation for determining the fair values among the real estate valuation firm/firms from companies acknowledged by CMB in accordance with the scope of transaction for the factory and administrative buildings with a closed area of 16,610 squaremeters on the land with a total area of 20,987 squaremeters located on parcel no, 6433 included within the Tekiz Panel Facility and Sales Division at Yukarı Dudullu Mah,, 2,Bölge, Eriklipınar Açmalar Sokağı 30th Plot, Umraniye, Istanbul as a result of moving of Tekiz Panel Facility currently continuing its production activities at Dudullu Industrial Region to the new building at Gebkim Industrial Zone in 2013.

According to IFRS 5 "Non-Current Assets Held For Sale and Discontinued Operations", in order for an asset to be defined as "Assets Held For Sale", the asset (or sale group) should be available for immediate sale at its existing condition for similar assets under normal and customary terms and the sale condition is highly probable, The related classification on the financial statement was not made due to the fact that the respective asset was currently in use and continuing production at factory area resulting in the fact that sales transaction is not probable at balance sheet date.

İZOCAM TİCARET VE SANAYİ A.Ş.
REPORT ON CORPORATE GOVERNANCE PRINCIPLES

1. *Statement for Compliance with Corporate Governance Principles*

The principles, which were included in Capital Markets Board's "Communiqué on the Determination and Implementation of Corporate Governance Principles" Serial IV, No. 56 published in the Official Gazette dated 30th December 2011, Numbered 28158 and made compulsory to be implemented, are applied by our company.

SECTION I - SHAREHOLDERS

2. *Section about Relations with Shareholders*

In Izocam Ticaret ve Sanayi A.Ş. relations with shareholders are organized by a special unit formed by the Assistant General Manager responsible for Financial and Administrative Activities. The Unit is mainly responsible for the following activities:

- *Conducting the relations established with shareholders on a regular basis within the scope of company's information policy, ensuring access to regular and reliable information about the company,*
- *Introducing our company to individual and institutional investors; informing potential investors and shareholders of our activities,*
- *Organizing the Company's General Assembly Meeting, preparing relevant documentation for the shareholders, sending the minutes of the meeting to those who request it,*
- *Answering the questions asked by shareholders,*
- *Updating such information as company's website, annual reports, investor presentations and profit announcements in a fast and complete way; informing the shareholders,*
- *Conveying necessary Material Disclosures to IMKB through KAP system by taking into consideration Capital Markets Law and its Communiqués,*
- *Making the necessary preparations before a General Assembly Meeting, preparing the documentation, and obtaining and presenting for the General Assembly's approval preliminary permissions pertaining to the main contract.*
- *Following any and all changes in the legislation pertaining to the Capital Markets Law, and informing the relevant departments of the company.*
- *Meeting information requests from graduate and post-graduate students and faculty members doing research about our company and the sector.*

Assistant General Manager, Financial – Administrative: Hasan Basri Eröktem

Phone	*: +90 262 754 6390*
Fax	*: +90 262 754 6162*
E- mail	*: eroktem@izocam.com.tr*

Personnel responsible for relations with shareholders:

Doruk Özcan	*: ozcan@izocam.com.tr*
Phone	*: +90 262 754 6390*
Fax	*: +90 262 754 6162*
Müyesser Çıngay	*: cingay@izocam.com.tr*
İpek Gürbey	*: gurbey@izocam.com.tr*

3. Usage of the Shareholders' Right to Knowledge

No discrimination is made at Izocam Ticaret ve Sanayi A.Ş. among shareholders in respect to the usage of the right to receive and analyze information.

In order to extend the rights of shareholders to relevant information, any and all information pertaining to this right are made available freely through electronic media. The following information can be reached through the company's website (www.izocam.com.tr), as well as financial reports:-

- *Trade Registry Information*
- *Company's Article of Association*
- *The date of the General Assembly Meeting, in which newspapers it was announced, the agenda, commentary on the items on the agenda.*
- *General Assembly Meeting minutes and list of attendees.*
- *CMB Special Condition explanations*
- *Power of Attorney sample*
- *Shareholder structure of the company*
- *Information about the Board Members and the Senior Managers*
- *Disclosure policy*
- *Frequently asked questions*
- *Investor reports.*

No development which may have an effect on the way shareholders use their shareholding rights took place within the period and no explanation was made in company's website with regard to this issue.

'Articles of Association' contains no arrangement related to the request made for appointing special auditors. No request regarding the appointment of a special auditor was submitted to company's management within the period.

Company's activities performed within the period were audited on a periodical basis by an Independent External Auditor (Akis Bağımsız Denetim ve Mali Müşavirlik A.Ş. - KPMG) assigned by our General Assembly and the auditors selected at our General Assembly Meeting. Necessary explanations regarding these issues were published in company's website.

4. General Assembly Meetings

Within the year 2012, Company's General Assembly held two meetings: an ordinary and an extraordinary meeting. All right and benefit holders as well as the media (press - media organs) were invited to our General Assembly Meetings. Meeting and decision quorum was ensured at both meetings.

Ordinary General Assembly Meeting was held for discussing the routine agenda.

It was unanimously decided at the Extraordinary General Assembly Meeting that; Article 4 "Real Estate Saving", Article 11 "Structure and Duties of the Board of Directors, Representation of the Company", Article 12 "Term of the Board of Directors', Article 13 'Provisions Related with the Board of Directors' and Article 18 "General Assembly Meetings" of the Articles of Association shall be amended while 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 made in the Articles of Association were registered in Istanbul Trade Registry Office on 4.06.2012 under the registration number 172476 – 2012 and published in Turkish Trade Registry Gazette on 8th June 2012 (Pages 429, 430 and 431).

General Assembly Meetings are called by the Board of Directors according to the provisions of Turkish Trade Code (TTC), Capital Markets Law and company's Articles of Association. Calls and announcements necessary for holding General Assembly Meetings are made through KAP system once the Board of Directors takes its decision. As of 2013; General Assembly Meetings as well as relevant calls, announcements and voting transactions will be performed through Electronic General Assembly System (EGKS) contained within Merkezi Kayıt Kuruluşu (MKK).

At least 21 days before the General Assembly Meeting, the address where the meeting will be held, drafts of proposed changes to company protocol, if any, and a proxy sample are published in the Turkish Commerce Register, KAP, EGKS and on our website, according to the Capital Markets Communiqué. These announcements also contain the address where independently audited financial information pertaining to the period under discussion can be viewed.

Every shareholder taking the floor during a General Assembly meeting can express his views about company activities, ask questions of the administration, request information and receive answers.

In the Board Meetings of 2012, suggestions from the major shareholders of the company were taken into consideration.

The Minutes of the General Assembly Meetings can be viewed on our website. They are also available at our headquarters for our shareholders on request.

We pay attention to ensuring that such locations where shareholders can reach in the easiest and most economical way are selected for General Assembly Meetings.

Our company includes in the agenda of its ordinary general assembly meetings an agenda item regarding donations and supports. It then informs the shareholders about this issue. In 2012, our company provided foundations and social institutions with a donation amount corresponding to 10.356,00 TL.

5. Voting Rights and Minority Rights

'Articles of Association' contains no privileges in relation to the use of voting rights within our company. Our shareholders do not include such legal persons constituting our participating companies as well as the companies involved in a mutual participation situation. Corporate management has no member representing minorities.

6. Dividend Right

There are no priorities in the sharing of profits in our company protocol.

The profit sharing policy of our company is not to pay less than distributable profit calculated according to CMB notifications, as dividend to its shareholders, keeping in mind long term strategies, investment and financing plans and profiting conditions. The dividends to be paid can be all cash, all assets (from the company), or part cash and part assets.

Dividend payments take place according to TTC (Turkish Trade Code) and CML (Capital Markets Law) and within the legal time periods.

The company notifies its profit distribution policy to the shareholders during its Ordinary General Assembly Meetings as a separate agenda item. It announces this policy to the stakeholders through its website and annual reports.

7. Transferring Shares

Our company protocol has no applications or legislature to complicate or inhibit the free transfer of shares by our shareholders.

SECTION II – INFORMING THE PUBLIC AND TRANSPARENCY

8. Company Information Policy

In our company, the unit responsible for informing the public is General Manager and the Office of Assistant General Managers, who are also in charge of Financial and Administrative Affairs. All announcements and information are notified to the public through all sorts of communication instruments including electronic communication instruments in addition to such procedures set forth by the relevant legislation at necessary intervals. They are conveyed in a way ensuring them to reach as many shareholders as possible by taking into consideration the durations determined by Turkish Trade Code, Capital Markets Law and other relevant legislative provisions.

9. Company Website and Content

Our company, with the aim of conducting investor relations more effectively and speedily, and being in constant communication with its shareholders, publishes its financial reports prepared for CMB on its official website, www.izocam.com.tr in both Turkish and English.

The issues stated in corporate governance principles are published in company's website.

10. Annual Report

Annual report includes corporate governance principles.

SECTION III – BENEFICIARIES

11. Informing Beneficiaries

Beneficiaries of the company are kept informed in issues pertaining to themselves through invitations to relevant meetings or through telecommunications.

12. Beneficiaries' Taking Part in the Management

Our primary and essential aim is to ensure customer satisfaction while marketing and selling our products as well as services. Customer satisfaction is reported and followed up on a regular basis. Some changes are made in our policy when it is deemed necessary.

SECTION III – BENEFICIARIES (Continued)

13. Human Resources Policy

Our company has a Human Resources and Industrial Relations Management.

According to the human resources policy of our company, the criteria for employment and advancement are set in writing. Our Human Resources process aims to provide:

- *The right person for the right job*
- *Equal pay for equal work*
- *Merit based on success*
- *Equal opportunity for all,*

And based on this, continually develop the abilities of our manpower and protect our superiority in a global environment of rivalry. The operation of human resources systems established to this end is defined by procedures and announced to all employees.

The company established remuneration and compensation policies for its employees and published them in its website. No complaint was submitted by our employees with regard to discrimination.

Remuneration principles related to Board Members and Senior Managers were published in company's website after being put in writing. Moreover, this issue was included in the agenda of the General Assembly Meeting to be held on 25th March 2013.

14. Codes of Conduct and Social Responsibility

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. In this regard, generally accepted codes of conduct are observed in the light of legislation and arrangements. Besides, "Principles of Work and Behavior creating the Codes of Conduct of Izocam" as of 14 February 2012 within the scope of Corporate Governance Principles have been converted to written form, published on the website of the Company and opened to public. Training has been given to our personnel by the senior management about our principles. They have also received education on-line by means of the "e-learning" method about the subject and the trainings have been registered. Within this scope, an Ethical Committee has been created for the implementation and protection of these values within the company.

SECTION IV – BOARD OF DIRECTORS

15. The Structure and Formation of the Board of Directors

There is no discrimination between executive and non-executive members on the Board of Director of our company. After the General Assembly Meeting where the Board of Director members are chosen, Board of Director Chairman and Assistant Chairman are chosen by a decision about duty assignments. If a chair on the Board becomes vacant during a term, the Article No. 363 of the Turkish Trade Code is applied.

The Resumes of our Board Members who were appointed in the General Assembly aranged on 26 March 2012 provided below where these board members are currently hold their positions.

SAMIR KASEM

Samir Kasem has an MBA from the Ivey School of Business, University of Western Ontario, Canada and a Bachelor's degree in Electrical Engineering from the GMI Engineering & Management Institute, Kettering University, Michigan, USA. He is also a graduate of the Advanced Management Program (AMP), Harvard Business School.

Samir Kasem has been working since 2008 as President, Commercial & Industrial with Alghanim Industries. He has been a Board member of İzocam Tic. ve San. A.Ş. since 2010.

Prior to joining Alghanim Industries, Samir Kasem was with General Motors of Canada Limited, where he served in several management and technical positions related to design engineering, sales engineering, manufacturing and quality control. His career with Alghanim spans over 10 years, where he managed multiple and diverse groups within the organization including Automotive, Engineering, Retail and FMCG.

Samir Kasem has no executive duty. He is a Board Member of İzocam Holding A.Ş., which is a Saint Gobain/ Alghanim partnership. Samir Kasem is not an independent member and still works as our company's Board Chairman.

GIANNI SCOTTI

Graduated from the Industrial Chemistry Department of Milan University, Gianni Scotti has been working since 2002 in various departments of Saint Gobain companies. Scotti is still working as the General Delegate for Italy, Egypt, Turkey and Greece also as Regional Managing Director for the Mediterranean Region. He has been a Board member of İzocam Tic. ve San. A.Ş. since 2008.

Gianni Scotti has no executive duty. He is a Board Member of İzocam Holding A.Ş, which is a Saint Gobain/ Alghanim partnership. Gianni Scotti is not an independent member and still works as our company's Assistant Board Chairman.

SECTION IV – BOARD OF DIRECTORS (Continued)

MARK SCHMITZ

Mark Schmitz received his BA in Chinese language and literature, and his MBA in Finance from Ohio State University.

Mark Schmitz brings a wealth of international finance expertise to Alghanim, including work in controllership, treasury, financial planning and analysis, corporate governance, capital planning, mergers and acquisitions and investor relations as CFO. He has been a Board member of İzocam Tic. ve San. A.Ş. since 2009.

Prior to joining Alghanim Industries, Mark served as the CFO for Goodyear Tire and Rubber Company, a $20B publicly-traded, global company. He also held senior financial positions at Tyco International and Plug Power Inc.

Mark has extensive experience as a financial executive in Asia, Latin America and the Middle East. He is fluent in Chinese and Portuguese.

Mark Schmitz has no executive duty. He is a Board Member of İzocam Holding A.Ş, which is a Saint Gobain/ Alghanim partnership. Mark Schmitz is not an independent member; he is one of our Company's Board Members.

ARNAUD MOISSET

Holding an MBA (Ecole Supérieure des Sciences Economiques et Sociales) degree is working over 10 years in various departments of Saint Gobain Group, Mr. Moisset served in Saint - Gobain Companies as an Corporate Management Controlling Director between 2005 and 2012. He managed company's controlling methods and provided relevant trainings.

Arnaud Moisset has been working since 2012 as the CFO Saint-Gobain Delegation for Italy-Egypt-Greece and Turkey and CFO for Saint-Gobain Construction Products Italy. He has been a Board Member of İzocam Tic. ve San. A.Ş. since 2012. Mr. Moisset knows French, English and Italian.

Arnaud Moisset has no executive duty. He is a Board Member of İzocam Holding A.Ş., which is a Saint Gobain/ Alghanim partnership. Arnaud Moisset is not an independent member; he is still one of our company's Board Members.

SECTION IV – BOARD OF DIRECTORS (Continued)

A. NURİ BULUT

A. Nuri Bulut who is currently the General Manager of Izocam was born in Ankara in 1953. He is married and is the father of one son, where he is fluent in both French and English.

A. Nuri Bulut completed his graduate education in Saint Joseph French High School. His undergraduate degree is from Istanbul Technical University in 1979, where he holds M.Sc. degree in Mechanical Engineering. He also holds an executive MBA degree from Koç University gained in the period 1994 to 1995.

He began his career by working as Production Chief in Gebze Plant of Izocam in 1981. He has gained Production Manager title in 1984 and fulfilled this position in the company between the years 1984 to 1986. Later on, within the years 1986 to 1994, he worked as Project Manager in Head Office and as Engineering Manager during 1994-1996. He became Technical Assistant General Director in 1996 and worked in this position until 2002, finally becoming the General Manager of the company in 01.04.2002.

According to CMB's Corporate Governance Principles, A. Nuri Bulut has an executive duty. He is not an independent member. Duties he has assumed in recent years are listed above. He is still an independent Board Member of Tat Konserve A.Ş.

GÜLSÜM AZERİ

Gülsüm Azeri is a graduate of Boğaziçi University, Department of Chemical Engineering with an MS Degree in Industrial Engineering also from the same university. She speaks German and English fluently due to her education at Austrian High School and Robert College High School. Azeri is married and mother of two sons.

During an important part of her career, Gülsüm Azeri has been one of the top executives of Şişecam. She was Şişecam Chemicals Group President between 1994-1998, Şişecam Glassware Group President between 1999-2007 and Şişecam Flat Glass Group President between 2007-2011. She held the position of Executive Committee membership of Şişecam between 1994 and 2011. Presently Mrs. Gülsüm Azeri is CEO and Board Member of OMV Petrol Ofisi A.Ş. and OMV Gaz ve Enerji Holding A.Ş, as well as chairperson of OMV Petrol Ofisi Holding A.Ş.

Between 2004-2008, she was the Chairperson of the "European Glass Federation Glassware Committee", and between 2009-2011 was a member of the Board of Directors of "Glass for Europe" which is the European Flat Glass Manufacturers' Association.

Gülsüm Azeri has been a member of the Board of Directors at "Istanbul Chamber of Industry" (ISO), Executive Committee Member of "Turkish Exporters Assembly" (TIM), a member of the Board of Directors and Board of Director of "Foreign Economic Relations Board of The Union of Chambers and Commodity Exchanges of Turkey" (DEIK). Between the years 2005-2011, she also represented the private sector in the Board of Ethic Council of the Prime Ministry of Turkey. In April 2011, she was elected as member of the Board of Directors of Turkish Airlines. Gülsüm Azeri has been working in İzocam Tic. ve San. A.Ş. as an Independent Board Member since 2012.

Azeri has no executive duty. She is an independent member according to CMB's Corporate Governance Principles. Basic duties assumed by Azeri during the last decade are listed above. During the last five-year period, she had no relations with İzocam Tic. ve San. A.Ş. or its related parties.

SECTION IV – BOARD OF DIRECTORS (Continued)

POL ZAZADZE

Born in 1970 in Istanbul, Pol Zazadze works as the General Manager of Personna Tıraş Ürünleri ve Kozmetik San. Tic. Ltd. Şti. He completed his high school education at Robert College (1987), went to The American University of Washington DC for higher education (1991) and completed his MBA degree at Harvard Business School (1998). He was honored by Georgia's Akaki Tsereteli University with the title of honorary PhD (2007).

Beginning his career as a Marketing Officer in Zaza Companies Group in 1991, Zazadze worked at various levels. Leaving USA-based Colgate Palmolive company at his own choice after working there as a Brand Manager between the years 1997 and 1999, Zazadze has been serving since 2000 as a Board Member in various companies of Zaza Companies Group. He has been also working since 2009 as the General Manager of Personna Tıraş Ürünleri ve Kozmetik San. Tic. Şti.

He left Paladin Gayrimenkul Geliştirme İnşaat Ltd. Şti. where he had worked between 2007 and 2009 as the company was closed down. Zazadze has been serving in İzocam Tic. ve San. A.Ş. as an independent Board Member since 2012.

Pol Zazadze has no executive duty. He is an independent member according to CMB's Corporate Governance Principles. Basic duties assumed by Zazadze during the last decade are listed above. During the last five-year period, he had no relations with İzocam Tic. ve San. A.Ş. or its related parties.

SECTION IV – BOARD OF DIRECTORS (Continued)

Independence Statements of the Independent Board Members

Gülsüm Azeri and Pol Zazadze submitted to our company the following statement after signing it.

I hereby state that I applied at the General Assembly Meeting (of the Company) for serving as an "independent member" according to such criteria determined in relevant legislation, Articles of Association and CMB's Corporate Governance Principles;

a) My wife/husband as well as my up-to third degree relatives by blood or marriage and I established within the last five-year period no direct or indirect employment, capital or important commercial relation with the Company, any of its related parties and such legal persons with which the shareholders holding 5% or more of company's direct or indirect shares have executive or capital relations;

b) Within the last five-year period, I haven't worked or served as a Board Member in the companies conducting all or a certain part of Company's activities and organizations within the frame of relevant agreements, especially such companies carrying out audition, grading and consulting works with regard to the Company;

c) I haven't been within the last five-year period a partner, an employee or a Board Member of any firm providing the Company with considerable amounts of services and products;

d) The rate of the shares I have in Company capital is less than 1%, these shares are not privileged and I don't have any share in Company capital;

e) As can be seen in my attached resume, I posses necessary occupational training, knowledge and experience for fulfilling the duties I will assume because of being an Independent Board Member;

f) I am not a full time employee in any public institutions and agencies;

g) According to Income Tax Law, I am accepted to be residing in Turkey;

h) I can make positive contributions to Company's activities, I will act in an objective way during the interest conflicts taking place between Company's partners and I will take my decisions freely by taking into account all rights granted to the beneficiaries.

General Assembly is asked for approval under Article 395 and 396 of TTC so that Board Chairman and Board Members can perform the works included in Company's activity area on their own or on behalf of others and get into a partnership with the companies performing such works.

16. Activity Principles of the Board of Directors

Duties and responsibilities of Board Members are clearly stated in Company's Articles of Association. Authorities are explained in a detailed way in Company's signature circular.

Agenda items of General Assembly Meetings are determined when relevant departments notify to Company's Top Management and Board Members such issues which Articles of Association explicitly commands to be decided upon by the Board of Directors. Apart from that, meeting agenda is also determined when any Board Member makes a request to the Top Management for taking a special decision with regard to any issue.

The issues requested to be discussed at Company's Board Meetings are gathered together in the Office of Assistant General Managers of Financial and Administrative Affairs. Meeting agenda is determined by consolidating these issues.

SECTION IV – BOARD OF DIRECTORS (Continued)

Assistant General Manager of Financial and Administrative Affairs was assigned to determine the agenda items of İzocam Ticaret ve Sanayi A.Ş. General Assembly Meetings, prepare the Board Decisions taken according to the provisions of TTC Article No. 390/4, inform General Assembly Members and ensure communication.

Board of Directors convenes when it is necessary and takes decisions with the majority of votes given by attending members. Provisions of TTC No. 390/4 are reserved. Board Decisions gain validity once they are signed and approved.

Reasons for the negative opinions and counter votes stated/used during Board Meetings are taken down in the minute. However, Company didn't make any explanations to the public as such oppositions or negative opinions were not stated recently.

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

17. Number, Structure and Independency of Committees formed by the Board of Director

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 the members of Audit Board while independent board member Pol Zazadze was assigned as Corporate Governance Committee member together with non-independent members Arnaud Jacques Gerard Moisset and William Mark Schmitz.

Based on the current structure of the Board of Directors; duties of Nomination Committee, Early Detection of Risk Committee and Wage Committee were decided to be fulfilled by Corporate Governance Committee.

18. Risk Management and Internal Control Mechanism

Corporate Governance Committee has requested the initiation of the works for preparing the work maps related to the operational activities, determining the risks related to the processes and defining the control activities in order to ensure the integration of risk management and internal control systems to the corporate structure and managing possible risks effectively. The processes with impact on the company's operations, including fundamental processes, for the year 2012 have been determined and the risk-control matrixes have started to be prepared for these processes. The completed processes are shared with the Corporate Governance Committee and the criteria on determining and managing the risks are being evaluated by the Committee. The risk management models of various companies are also being examined for carrying out the process more effectively.

İzocam's risk management model aims to anticipate possible events to take place in case of 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.

SECTION IV – BOARD OF DIRECTORS (Continued)

19. Company's Strategic Objectives

Board of Directors determines corporate strategies by preparing long-term and short-term plans. In these plans; markets where activities are performed are analyzed, required investments and various needs are determined, methods for providing the resources necessary for realizing investments are discussed and decided upon.

Long-term plans are prepared within the first six-year period of each year in a way involving 5-year periods as well as containing the trends adopted in previous 5-year periods.

Short-term plans are prepared for each year (budget), followed up on a monthly basis and revised four times throughout the year.

Company's budget targets play an important role while determining its performance.

20. FINANCIAL RIGHTS

The company may cover such expenses made by board members for making contributions to it (transportation, phone and insurance expenses etc.).

Fixed wages are determined for independent board members during the annual ordinary general assembly meetings. Payment plans prepared based on company's performance cannot be used for the remuneration of independent board members.

Wages of Senior Manager consist of two components, fixed and performance-based.

Fixed Wages of Senior Managers; macro economic data and wage policies applicable on the market are determined in compliance with relevant legal liabilities by taking into account long-term objectives and the positions of relevant persons.

SECTION IV – BOARD OF DIRECTORS (Continued)

Premiums of Senior Managers; premium base is calculated according to corporate performance and individual performance. Information related to the criteria is summarized below:

- *Premium Base: Premium Bases are updated at the beginning of each year. They vary according to the business size of managers' positions.*
- *Corporate Performance: Corporate performance is obtained by measuring at the end of each period such financial, customer, employee, technology and corporate ability targets set for the company at the beginning of each year. Achieving a sustainable success and making some improvements in comparison to previous years are the principles taken into account while determining corporate targets.*
- *Individual Performance: Realization statuses of individual targets which are parallel with corporate performance are also taken into account together with it while determining individual performance.*

Total amounts which are determined according to abovementioned principles and paid to Senior Managers and Board Members within the year are stated in Company's annual report. They are included in the agenda of Company's General Assembly Meeting to be held in 2013 and shareholders will be informed about this issue.

Throughout the year; no loans were allocated to any Board Member or Top Manager, they were not allowed to take credits for themselves or on behalf of others and such guarantees as bailment were not allocated in favor of them. Besides, these persons didn't have such relations with the Company also in any period of previous years.

CORPORATE GOVERNANCE COMMITTEE

POL ZAZADZE Chairman	ARNAUD JACQUES GÈRARD MOISSET Member	WILLIAM MARK SCHMITZ Member

MAIN OFFICE, GENERAL MANAGEMENT AND PRODUCTION PLANTS

MAIN OFFICE, TEKİZ PANEL PRODUCTION PLANT AND EXPORT MANAGEMENT
Organize San. Bölgesi 3. Cadde No: 4 Yukarı Dudullu 34775 Ümraniye - İSTANBUL - TÜRKİYE
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Fax : +90 216 420 81 49
Export Dep. Fax: +90 216 365 67 44
District Office Fax: +90 216 364 45 31

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Fax: +90 262 754 61 82 - 754 61 62
Stonewool Plants
Fax: +90 262 754 51 57
EPS Plants
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E - mail: izoposta@izocam.com.tr

GEBKIM XPS PRODUCTION PLANTS
Gebze V (Kimya) Organize Sanayi Bölgesi
Kocabayır Mevkii Demirciler Köyü
Dilovası / Kocaeli - TÜRKİYE
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TARSUS GLASSWOOL and XPS PRODUCTION PLANTS
Adana Mersin Karayolu Üzeri
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ESKİŞEHİR RUBBER AND POLYETHYLENE PRODUCTION PLANTS
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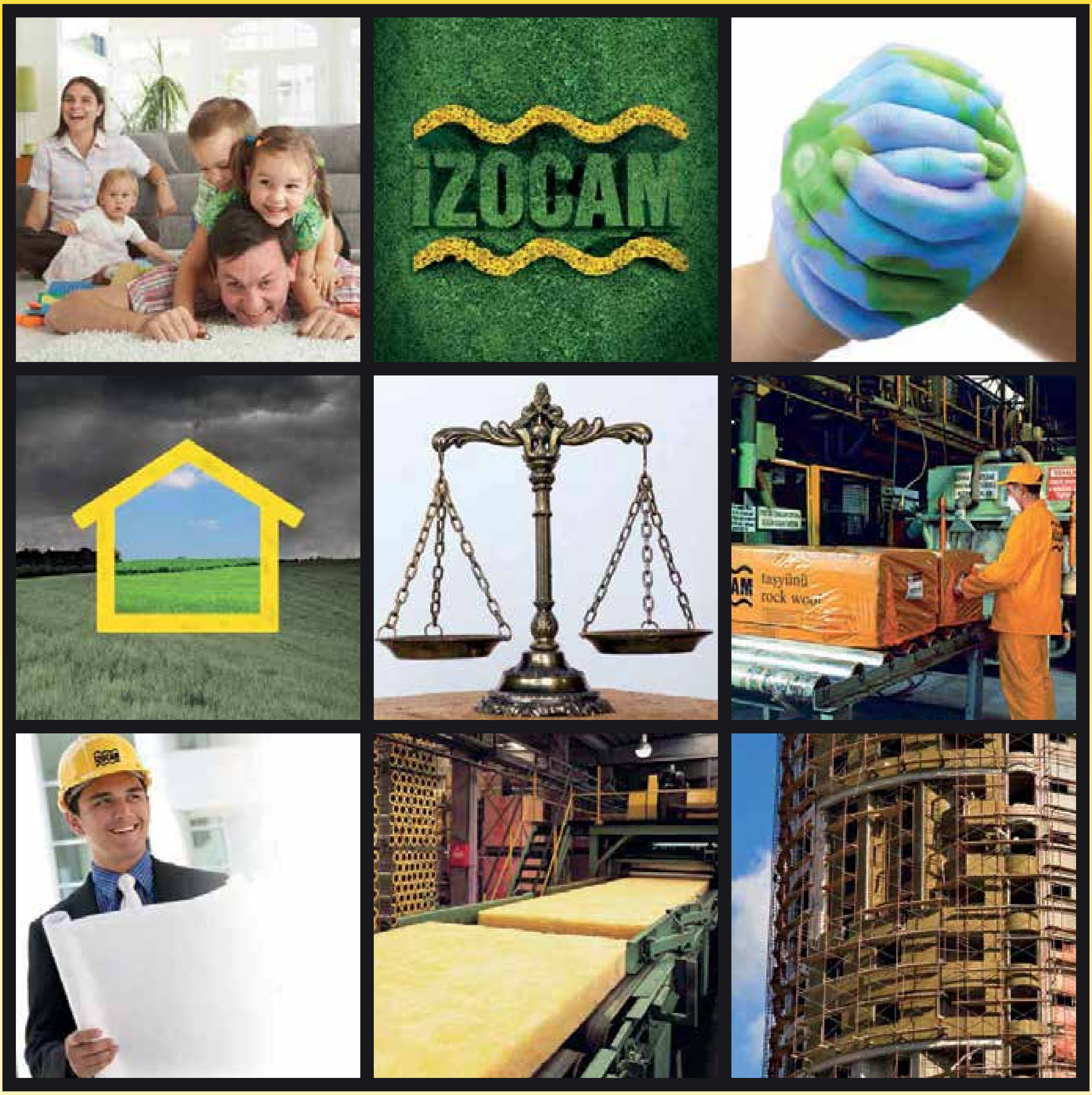
NOTE



Principles of Action and Conduct

Principles of Work

Respect for the Law
Caring for Environment
Worker Health and Safety
Employee Rights

Principles of Conduct

Professional Commitment
Respect for Others
Integrity
Honesty
Solidarity

NOTE

NOTE