



**TİCARET VE SANAYİ A.Ş.**

50<sup>TH</sup> ORDINARY GENERAL  
ASSEMBLY MEETING

2014

**ACTIVITY REPORT OF IZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ  
PRESENTED TO THE 50TH GENERAL ASSEMBLY OF SHAREHOLDERS HELD  
ON 23TH MARCH 2015**

İstanbul Trade Registry	: 90639
Mersis No (Central Registry System)	: 0484002307900018
Web Address	: <a href="http://www.izocam.com.tr">www.izocam.com.tr</a>
E-mail	: <a href="mailto:izoposta@izocam.com.tr">izoposta@izocam.com.tr</a>
Registered Capital Ceiling	: 60.000.000, - (Sixty Million Turkish Lira)
Issued Capital	: 24.534.143,35 TL (Twenty four million five hundred thirty four thousand one hundred fourty three Turkish Lira thirty five Turkish Kuruş)

## MAIN OFFICE, GENERAL MANAGEMENT AND PRODUCTION PLANT

### MAIN OFFICE, GENERAL MANAGEMENT

Altayçeşme Mah. Öz Sok. No:19 Kat. 3-5-6, Maltepe – İstanbul

Phone : +90 (216) 440 40 50

Fax : +90 (216) 440 40 70

### DİLOVASI STONEWOOL PRODUCTION PLANT

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Taşıyünü Tesisleri Fax: +90 (262) 754 51 57

### DİLOVASI GEBKİM PRODUCTION PLANT

Gebze V (Kimya) Organize Sanayi Bölgesi Çerkeşli Köyü Yolu Üzeri Kocabayır Tepe Mevkii

Kiplasma Cad. No:1, Dilovası / Kocaeli

Phone: +90 (262)754 6380

İzopor ve Foamboard Tesisleri

Fax: +90 (262) 754 63 80 - 1 - 2

Tekiz Panel Tesisleri

Fax: +90 (262) 754 66 87

### TARSUS GLASSWOOL AND XPS PRODUCTION PLANTS

Şahin Mahallesi Sait Polat Bulvarı No: 376A

33401 Tarsus - MERSİN

Phone : +90 (324) 616 25 80 / 8 line

Fax : +90 (324) 616 25 90

Fax (Satınalma): +90 (324) 616 25 92

### ESKİŞEHİR RUBBER AND POLYETHYLENE PRODUCTION PLANTS

75. Yıl Mh. Organize San. Bölgesi Şehitler Bulvarı No:17 Odunpazarı - Eskişehir

Phone: +90 (222) 236 14 80 Fax: +90 (222) 236 14 79

## REGIONAL SALES DIRECTORATES

### İSTANBUL REGIONAL DIRECTORATE

Altayçeşme Mah. Öz Sok. No:19 Kat. 3-5-6, Maltepe – İstanbul

Phone : +90 (216) 440 40 50

Fax : +90 (216) 415 16 30

### ANKARA REGIONAL DIRECTORATE

Ceyhun Atuf Kansu Cad. No:114 Bayraktar Center E Blok No:4 Balgat / Ankara

Phone: +90 (312) 473 01 31 Fax: +90 (312) 472 0034

### ADANA REGIONAL DIRECTORATE

Cemalpaşa Mahallesi Atatürk Caddesi Ethem Ekin Sokak Gökçe Rezidans

No:66 Kat:1 D:4 01120 Seyhan / Adana

Phone: +90 (322) 453 24 34 Fax: +90 (322) 453 24 41

### İZMİR REGIONAL DIRECTORATE

Şair Eşref Bulvarı Ragıp Şamlı İş Hanı

No:6 Kat: 6 - 605 Çankaya -İzmir

Phone: +90 (232) 484 57 85 - 484 31 78 Fax: +90 (232) 489 00 52

### BURSA REGIONAL DIRECTORATE

Kükürtlü Cad.No: 67 Tan İş Merkezi B-Blok D:7 16080 BURSA

Phone: +90 (224) 253 95 35 Fax: +90 (224) 255 60 13

### ANTALYA OFFICE

Anafartalar Cad. No.14, K.1 D.4 Cennet Apt. 07040 ANTALYA

Phone: +90 (242) 241 19 50 Fax: +90 (242) 242 39 84

### DİYARBAKIR OFFICE

Ekinciler Cad. AZC Plaza Kat: .7 Daire: 31

21100 Ulus / Diyarbakır

Phone: +90 (412) 229 00 96 Fax: +90 (412) 229 06 79

### ERZURUM OFFICE

Dere Mah. Saray Bosna Cad. Yekeler Ofis Plaza Kat: 4 No: 25, Yakutiye / Erzurum

Phone: +90 (442) 214 13 72 - 73 Fax: +90 (442) 214 13 74

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## İZOCAM TİCARET VE SANAYİ A.Ş.

### 50th ORDINARY GENERAL ASSEMBLY MEETING

**Date : 23st March 2015, Monday, at 10:00 a.m.**

**Address : Divan İstanbul Hotel, Asker Ocağı Caddesi 34367 No:1 Şişli - İstanbul, Turkey**

#### **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 Independent Audit Report of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (E&Y).
4. Disclosure and approval of Financial Statement.
5. Separately releasing of the members of the Board of Directors and auditors pertaining to their activities in the reporting year 2014,
6. Informing and approval of the shareholders about dividend distribution policy in accordance with the Corporate Governance Principles.
7. Approval, approval upon amendment or disapproval of the distribution of the dividends out of the profit of 2014 reporting year and of the proposed date for dividend distribution,
8. Determination of the total number of Board Members, the election of the Independent Board Members who are proposed by Corporate Governance Committee. The selection and amendments of other Board Members together with the determination of their duty periods. Enlightenment of shareholders about the tasks of board members outside the company and the related reasons.
9. Determination of remuneration to be paid to the Chairman and Board members,
10. Approval of Independent Audit Company selected by the Board of Directors,
11. Informing the shareholders about the wage policy for the board of directors and senior managers.
12. Informing and approval upon amendments in the below articles of The Articles of Association, provided that the required permits are received from the Capital Market Board and Republic of Turkey, Ministry of Customs and Trade; amendment of: Article 11: Structure and Duties of The Board of Directors and Representation of The Company; Article 13: Provisions Related with the Board of Directors; Article 14: Board Meetings; Article 15: Management and Representation of the Company; Article 16: Auditors; Article 18: General Assembly Meetings.
13. Informing and approval of the Shareholders about the amount and beneficiaries of the donations and grants to the associations and foundations by the Company for social aid purposes in the year 2014 and determining an upper limit for the grants to take place in 2015 under the Capital Market Board.
14. Informing and approval of the Shareholders about the Share Buy Back Policy.
15. 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.
16. Informing General Assembly about whether there were important transactions in 2014 which may result in conflict of interest of shareholders who have management control, Board members, administrative managers and their spouses and relatives up to second degree or the subsidiaries.
17. Informing General Assembly about transactions with related parties in 2014.
18. Sign off the minutes of the General Assembly meeting by the Presidential Board.
19. Wishes.

# İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

Altayçeşme Mah. Öz Sok. No:19 Kat: 3-5-6, Maltepe - İSTANBUL

## THIS IS THE DRAFT AMENDMENT OF ARTICLES 11, 13, 14, 15, 16,18 OF THE ARTICLES OF ASSOCIATION

### OLD TEXT

#### **Article 11 - STRUCTURE AND DUTIES OF THE BOARD OF DIRECTORS and REPRESENTATION OF THE COMPANY:**

*Administration and representation of the Company shall be executed by the Board of Directors consisting of not at least 5 members elected within the framework of the Turkish Commercial Code, Capital Markets Board regulations and relevant legislation provisions.*

*Board of Directors shall be established and shall operate within the following principles:*

*11.1 Number of Board members shall be determined by the General Assembly in a way to enable board members to undertake efficient and productive efforts, to take fast and rational decisions, to establish committees and to organize their works effectively on condition that there are at least 5 members in any situation.*

*The majority of members of Board of Directors is composed of such individuals who do not have any administrative position in the company other than board of directors membership and who do not intervene in the daily businesses and ordinary activities of the company.*

*11.2 The number and attributes of independent board members shall be in compliance with the Capital Markets Board Corporate Governance Regulations.*

*11.3 The execution and operating principles of Board of Directors together with its structure and meeting format and thereby the relevant structure of committees to be established within Board of Directors shall be in compliance with the Capital Markets Board Corporate Governance Regulations.*



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11.2 The number and attributes of independent board members shall be in compliance with the Capital Markets Board Corporate Governance Regulations.

11.3 The execution and operating principles of Board of Directors together with its structure and meeting format and thereby the relevant structure of committees to be established within Board of Directors shall be in compliance with the Capital Markets Board Corporate Governance Regulations.

Board of Directors governs the Company and represents it against courts and third parties. Excluding the Article 408 of Turkish Commercial Code and the regulations in Clause 1 of Article 23 of Capital Markets Law, Board of Directors has the absolute authority to perform all kinds of proceedings and actions, related with the company's field of activity together with the administration and possession of all kinds of estates and assets belonging to the company.

To take customizable decisions in all issues that are not subject to the resolutions of General Assembly, to determine the authorities of the General Director, Vice General Directors and managers, to prepare regulations/circulars for the internal management of the Company and to approve the budgets and strategic plans are among the duties of Board of Directors. Board of Directors performs the duties assigned or will be assigned to itself under this Master Agreement and General Assembly resolutions based on the applicable laws, and exercises its authority in this context.

11.4) Duties and authorities of the General Director are determined by the Board of Directors. The Chairman of Board and the General Director cannot be the same person.

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### OLD TEXT

#### **Article 13 - PROVISION RELATED WITH 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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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 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.*

## THIS IS THE DRAFT AMENDMENT OF ARTICLES 11, 13, 14, 15, 16,18 OF THE ARTICLES OF ASSOCIATION

### NEW TEXT

#### ***Article 14 - QUALIFICATIONS OF THE MEMBERS OF BOARD OF DIRECTORS AND THE WAY OF HOLDING THE MEETINGS:***

14.1) Board of Directors' Members are selected among person who are postgraduate, have technical information and/or general finance and legal knowledge and administrative experience in the related filed of activity of the company and having the potentiality and determination to attend all meetings of the board of directors. In compliance with Corporate Governance Principles, it is targeted to increase the number of female members among board members that will be nominated to Board of Directors in General Assembly and who have sufficient knowledge and experience.

14.2.) Board of Directors arranges the internal directive related with the designation of the ones authorized to represent the company and their authority level, distribution of the tasks of board members besides the Board Chairman and deputy chairman, and constitution of committees in its first meeting and finalizes these decisions. Board of Directors assigns a member to manage the meeting only and limited for that meeting, in case the Chairman or deputy chair is absent. The Board Chairman determines the meeting agenda. In case of necessity, meeting agenda can be determined by Board of Directors' decision too. At the end of each meeting, meeting notes are typed and and meeting minutes are signed by all members. Every member carries only a single right of vote. He/she personally uses this right. The votes in the Board of Directors meeting are casted as 'yes' or 'no'. In case, a a member objects the decisions taken in the meeting, this is noted to the meeting minutes.

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. Board of Directors can also be assembled upon the request of shareholders who are either institutional investors or minority shareholders. The invitation request is first submitted to the Chairman of Board. If Chairman approves the invitation or decides that an urgent meeting is not necessary, he/she puts the invitation to the agenda of the first Board of Directors meeting to be conducted. Provisions of Turkish Commercial Code related with the meetings of board directors 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. Board of Directors meeting can be conducted either wholly through electronic media or with the participation of some members through electronic media and with some other members physically presence at the same time. 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.

The members of the Board of Directors can not be present in a meeting where the issues are discussed related with personally themselves or with third parties who are either their partners or blood relatives up to third degree or a relative by marriage who are not a member of the Board of Directors. If such a topic is to be discussed in the meeting, it is their duty to notify their relationship to the Board and provide it to be noted on the minutes. Besides, board members can work in positions outside the company only in those corporations, businesses and proceedings that will not raise a conflict of interest and generate a competition for the company. The Board of Directors' member who will take on a task outside the company is obliged to notify this circumstance to the Board of Directors.

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### OLD TEXT

#### **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**

*Denetçiler, Sermaye Piyasası Kanunu ve Türk Ticaret Kanunu tebliğ ve yönetmeliklerine uygun olarak şirket Genel Kurulu'nca seçilir.*

#### **Article 18 - GENERAL ASSEMBLY MEETINGS:**

*General Assembly meetings of the Company 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 the activity period. Extra-ordinary General Assembly meetings can be held at any time if and when deemed necessary for the affairs of the Company.*

*The General Assembly Meetings shall be announced in line with the principles set out in the regulations and in accordance with the provisions of the Capital Markets Board through any and all kinds of communication means including the electronic communication, in order to reach the highest number of shareholders possible.*



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#### ***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.

Even if it is not on the agenda, by acting pursuant to the articles 438 and 439 of Turkish Commercial Code, shareholders can request from the Board of Directors to elucidate certain events by means of conducting a specific audit, if that is necessary to exercise the rights of share ownership and if the right to request information is not exercised previously

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General Assembly meetings of the Company 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 the activity period. Extra-ordinary General Assembly meetings can be held at any time if and when deemed necessary for the affairs of the Company.

General Assembly is hold as open session with the voiceless participation of beneficiaries and media besides the shareholders.

Pursuant to article 411 of Turkish Commercial Code no 6102, shareholders constituting the one-twentieth of the paid in capital can ask the Board of Directors to convene the General Assembly by stating in written stating the reasons and providing a written agenda including the issues they want to be decided if the General Assembly will be held anyway.

The General Assembly Meetings shall be announced in line with the principles set out in the regulations and in accordance with the provisions of the Capital Markets Board through any and all kinds of communication means including the electronic communication, in order to reach the highest number of shareholders possible.

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**OLD TEX**

**Article 18 - GENERAL ASSEMBLY MEETINGS:(Continues)**

**1- Discussion of the Material Transactions at the General Assembly**

*Assignment of all or a significant part of the assets by the Company or establishment of rights in rem on them (other than the establishment of rights in rem arising from the ordinary activities of the financial institutions) or lease of the same, acquisition or lease of a significant asset, anticipation of franchise or change of the scope or subject of the existing franchises and de-registry from the stock exchange are accepted as material transactions in terms of the implementation of Corporate Governance Principles. Unless a resolution of general assembly regarding material transactions is required in accordance with the relevant legislation, the approval of the majority of independent members is required, for the execution of the resolution of the board of directors with regard to such transactions. However, if the majority of the independent members do not approve any material transaction and it is desired that the mentioned transaction be performed, despite the opposition of the majority of independent members, the relevant transaction shall be submitted to the general assembly for its approval. In such case, the reason for the opposition of the independent members of board of directors shall be immediately disclosed to the public, notified to the Capital Markets Board and read in the general assembly meeting to be held. Provisions of Article 29/6 of the Capital Markets Law shall apply for the general assembly resolutions on material transactions*

**2- Related Party Transactions and Discussion of the Mortgage-Pledge transactions at the General Assembly**

*The approval of the majority of the independent members is sought in all sorts of related party transactions of the Company as well as the resolutions of board of directors related to provisions of warranty (excluding the financial institutions), pledge (excluding the financial institutions) and mortgage (excluding the financial institutions) in favor of the third parties. If the majority of the independent members do not approve the transaction in question, it shall be disclosed to the public within the framework of the public disclosure regulations and the transaction shall be submitted to the general assembly for its approval. In such general assembly meetings, a resolution shall be passed with a voting procedure where the parties of the transaction and the persons related with them do not vote and it shall be ensured that the other shareholders participate in such resolutions at the general assembly. The meeting quorum shall not be sought at the general assembly meetings that are held for the situations specified in this paragraph. The resolution shall be made with the simple majority of the parties having a voting right. Board of directors and general assembly resolutions that are not made in accordance with the principles specified in this paragraph shall not be deemed valid.*

**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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## Izocam's Mission

*Izocam undertakes the mission to;*

- *be the leader in Turkey in the whole insulation sector,*
- *keep the "Insulation means Izocam" image,*
- *utilize the advance technologies,*
- *be market driven and focused on customer delight,*
- *produce world class products in environmentally friendly and safe plants,*
- *improve its human resource base,*
- *differentiate its products and services in parallel with the growing insulation awareness.*

## Izocam's Vision

*Being the reliable leader in Turkey and neighbourhood countries, our main objective is to achieve a healthy growth in the sector, to establish insulation and energy saving awareness, to maximize the benefit from insulation in favour of people and consequently, to preserve the environment.*

## Core Values

*Our company, active in the insulation sector as a dependable leader both in our country and in neighbor countries since 1965, has always adopted growing and being a model company in every field by being engaged in activities which are beneficial for its country and for the environment as a principle.*

*While realizing these purposes, we have arranged the principles leading us in our working life in order to determine, implement and protect the below values in line with our corporate structure to enhance the recognition and reliability of the brand Izocam both among the workers and in relations of our company with the third persons.*

### ***Principles of Action***

*Respect for the Law*

*Caring for the Environment*

*Worker Health and Safety*

*Employee Rights*

### ***Principles of Conduct***

*Professional Commitment*

*Respect for Others*

*Integrity*

*Honesty*

*Solidarity*

## MESSAGE FROM THE CHAIRMAN

*While we are getting ready to celebrate our 50th year as the leader and innovative company of its sector, together with all its employees, Izocam will continue to embrace the principle to strengthen its corporate structure with a continuous growth and to be the leading company in its sector as it has been in the past.*

*2014 has been a year in which there was slow growth worldwide and especially in which the economic recession in developed countries negatively affected the world economy as a whole. The unemployment problem that manifested itself in developed countries brought along the economic recession and therefore, this resulted in government interventions to the economies both through fiscal and monetary policies. Inevitably, these interventions resulted in increased public debts. We have been observing that the European Union countries have been profoundly affected by this recession in the year 2014 and that they are still trying to recover from stagnation. Following the Federal Reserve, the European Central Bank declared its decision for buying of bonds with an effort to revive the economy. On the other hand, United States of America has ended the monetary expansion policy that it has been applying for a long time as a result of the recovery signals in the economic indicators. As a result of this, the value of dollar against the currencies of developing countries has risen rapidly where Turkey is among the developing countries which has been affected by this policy.*

*When looked at in detail, 2014 was not only a year with internal economic tensions but also a year with increased regional and political risks. Unfortunately, such circumstances have negatively affected and are still affecting the economy in the region.*

*Despite all of these, we, as Izocam, are happy to have achieved the goals that we set for the year 2014. Our net sales have increased by 7% compared to the previous year. Our export sales have increased by 14% when compared to the previous year. Our operating profitability has increased by 15,7% versus 2013. We have obtained a Corporate Governance Rating in 2014 with the purpose of strengthening our corporate structure and elevating the current level of corporate governance to higher levels in the coming years as well as providing regular dividend payments to our shareholders. Our company participated in a rating for the first time and obtained a successful rating score of 8,76 in respect of its displaying considerably high compliance to the Corporate Management Principles published by the Capital Market Boards. Our aim is to elevate our institutionalization level to higher levels in the coming years and to keep our reliability at the highest level in the presence of our stakeholders. Together with all our employees, we, as Izocam embraced the principle to make continuous improvements both in our business processes and in our production facilities, and to work with high efficiency at low costs. For this purpose, we established more effective, efficient, and safety production processes especially in our facilities by making capital expenditure equivalent to approximately 9 million TL in 2014. We aim to maintain this philosophy in the coming years as well.*

*I extend my special thanks to all our shareholders, colleagues and investors for all their contributions in the success of our company, where our company targets to attain better future results than this year and sets its target as continuous progress with new projects with a sustainable growth in the year 2015 as well.*



Samir Mamdouh Kasem

Chairman

## MESSAGE OF GENERAL MANAGER

*Dear Stakeholders,*

*We sustained our growth despite all the problems experienced in the world and our country in 2014.*

*In 2014, the first signs of slowdown were observed due to the anticipation that the FED has put an end to monetary expansion. Despite all these facts, Turkish economy has performed a 2,8% growth on the basis of fixed-price compared to previous year and the growth in construction sector that we are a part, realized as 2,9%.*

*House sales in 2014, also supporting the growth in construction sector, have also increased and recorded as the maximum annual house sales in the history of the country's.*

*Within this overall picture, our company experienced a revenue growth of 4,6% in domestic market and 14% in foreign market. Our growth in domestic market was in line with the growth in construction sector and GNP, in addition to this in our export markets depreciation in TL has affected our foreign sales positively.*

*Despite all these problems and the pressures resulted from the increasing competition conditions, the targets set by company management has been fulfilled on a great scale.*

*Within the current year, investments for improving the capacity, productivity and quality of our facilities are completed and our production capacities have reached to a level that can meet the potential demand growths in the market.*

*Our company has Quality Management System, Environmental Management System and Occupational Health and Safety Management Systems licenses in accordance with ISO 9001, ISO 14001 and OHSAS 18001 standards and effectively performs the principal quality management systems in all its activities. Energy Management Systems ISO 50001 standard studies of our company has been completed and certification target has been achieved. We are targeting to complete the continuing studies of ISO 14064 Greenhouse Gas Monitoring and EPD Environmental Product Declaration in 2015.*

*We follow closely the occupational health and safety among our basic priorities and our efforts for the maintenance of positive development in our performance are increasingly going on.*

*In accordance with our vision that will carry us into the future, it will be our major goal to preserve our competitive structure, to invest in technology and human being, to increase our efficiency and prevalence in our existing markets*

*I would like to express my gratitude to all our stakeholders and especially to our employees, suppliers and partners for their precious contributions, commitment and thrust to Izocam.*

*Best Regards,*



*Arif Nuri Bulut*

*General Manager*



## REPORT OF BOARD OF DIRECTORS

*Esteemed Shareholders,*

*Welcome to our Ordinary General Assembly which has been held to review and finalize 2014 activity results of our Company. We would like to thank you for your interest and greet all of you respectfully.*

*In the 50th Shareholders General Assembly of Izocam, we would like to inform you regarding the operations of our company in 2014 and submit the financial statements displaying the results of the activity to your review and approval.*

## BRIEF HISTORY

*Izocam, keeps its leading position in insulation industry since its establishment in 1965.*

*The first factory of Izocam A.Ş, Turkey's insulation industry leader, has entered into service in 1967 by producing glass wool. In 1986 a second glass wool factory was founded at Tarsus and in 1992 its capacity was doubled. Due to the increase in glass wool capacity of Tarsus plant, production at Gebze was switched to stone wool.*

*Currently, a total of 130.000 ton/year mineral wool is being manufactured, 55.000 ton/year of which is produced in glass wool plant and 75.000 ton/year in stone wool plant. Izocam produces glass wool under Saint-Gobain Isover France License and with TEL process and stone wool under Saint-Gobain Isover G+H AG Germany License and with Sillan process.*

*Izocam begin to produce expanded polystyrene (EPS) under the brand name of Izopor at its facility founded at Gebze in 1982. Total capacity is 6.000 ton/year.*

*Izocam started its Extruded polystyrene (XPS) production in 1995 at Gebze plants with 90.000 m3 annual capacity under Owens Corning USA License and with Hydrovac process. With the new investment in Gebze in 2011, total capacity has been reached to 720.000 m3/year.*

*Production of elastomeric rubber foam Izocamflex that was started with a 500 ton/year capacity at Eskişehir Plants on April 2000 has been reached to 4.000 ton/year. The annual capacity of polyethylene foam, which is produced as of 2005 at Eskişehir Izocam Plants under the brand of "Izocam Peflex", is 700 ton/year.*

*At Tekiz Plants founded within the body of Koç Group in 1966 and included into Izocam in 2005, Mineral Wool Panel, Trapezium and Polyurethane Panel insulated roof and facing sheets and Cold Storage Panel products are manufactured under the name of Izocam Tekiz with various features, required color and dye type. Tekiz Plant have annual 4.000.000 m2 panel and 3.000.0000 m2 cast manufacturing capacity.*

*Izocam, has gathered the XPS, EPS and Tekiz productions in Gebkim Plants that it set into operation in 2011.*

*Izocam produces high technology products according to international standards and provides foreign exchange input to our country by exporting these products to 46 countries, Balkans, Commonwealth of Independent States, Turkic Republics, Middle East and Africa being in the first place. Today, Izocam is the leader of insulation sector with its technical consulting services and wide range of products providing protection against heat, cold, sound, fire and water. Izocam that meets the customer demands and expectations in a timely manner and environmentalist approach in accordance with the standards of globalizing world, applies ISO 9001 Quality Assurance System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety System and ISO 50001 Energy Management System in its plants. Izocam products are offered to the market with CE mark which means "material allowing the product to meet the basic requirements stated in regulation" according to the article 6 of International Construction Materials Directive. Besides, mineral wools; stone wool and glass wool products of Izocam have EUCEB Certificate that is given only to bio-products.*

*Izocam products are manufactured in compliance with the standards of TSE as well.*

## BRIEF HISTORY

*Our controlling shareholder Izocam Holding A.Ş., which is recorded in Istanbul Trade Registry with number 6055864 and resident in Ahular Sokak No.15 Etiler – Istanbul, has been founded on 14 November 2006 and its capital amounting to 401.874.000,- TL has been equally distributed between Alghanim İzolasyon Yatırım AŞ and Saint Gobain Weber Yapı Kimyasalları San. ve Tic. AŞ.*

*Izocam Holding AŞ has various investments in Turkey. The activity field of the company has been stated as “To participate in capital management of companies founded by itself or other investors or the ones to be founded and thereby to offer solutions for the investment, finance, organization and management matters of them within the framework of modern management rules and within a body” in the purpose and scope article of its Articles of Association.*

## CAPITAL AND SHAREHOLDING STRUCTURE

*The registered capital ceiling of our Company is 60 Million TL and its 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 2014, Izocam stock has resembled a parallel performance versus BIST 100 (Istanbul Stock Exchange).*

*Dividend amounts distributed within the past three years are as follows:*

*122,27 % over the paid capital in 2012*

*108,01 % over the paid capital in 2013*

*123,14 % over the paid capital in 2014*

*The dividend policy of our company is based on maximum profit sharing.*

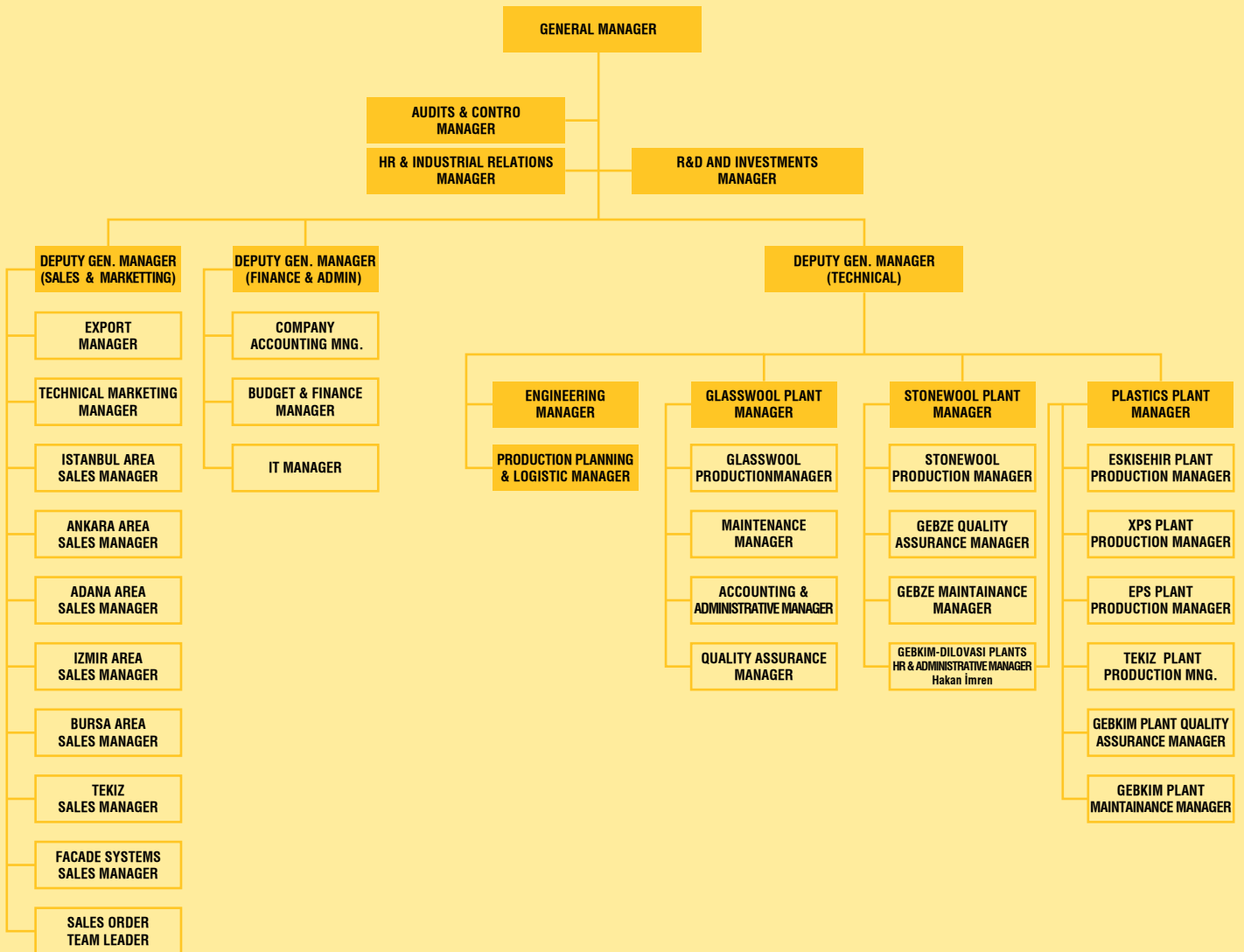
*Issued capital of the Company is TL 24.534.143,35 and it has been fully paid and covered. Issued capital has been divided into 2.453.414.335 shares each with a par value of kr 1(one kuruş) and they are all registered shares. Every share has one right to vote and we have nearly four thousand partners, majority of which is real person, in public part of our capital.*

	TL	%
İZOCAM HOLDİNG A.Ş.	23.324.476,84	95,07
FREE FLOAT	1.209.666,51	4,93
TOTAL	24.534.143,35	100

*As of 31 December 2014, the partnership structure of our company has not changed; currently controlling shareholder Izocam Holding Incorporated Company's share in our capital is 95,07 percent, together with 831.117.304 shares corresponding to 33,91 percent of the capital of our company and which is traded on Istanbul Stock Exchange and acquired from Istanbul Stock Exchange until 10 July 2007 and plus 1.501.330.396 shares corresponding to 61,16 % of the capital of our company and which is not traded on Istanbul Stock Exchange and acquired from Koç Group on 29 November 2006. Izocam Holding Incorporated Company is a partnership that is subject to joint management which Compagnie de Saint Gobain Group and Alghanim Group has established together and the share rates of both party are fifty percent each.*

## ORGANIZATION STRUCTURE

*In following pages, we submit for your information the organization scheme of our company and the changes made within the year.*



## OUR BOARD



*SAMIR MAMDOUH KASEM • Chairman*



*GIANNI SCOTTI  
Vice Chairman of the Board*



*ARNAUD J. G  RARD MOISSET  
Member*



*ROBERT ETMAN  
Member*



*ARIF NURİ BULUT  
Member - General Manager*



*G  LS  M AZERİ  
Member*



*POL ZAZADZE  
Member*

*Detailed information about the Board of Directors members has been given in the article 5 of Corporate Governance Compliance Report.*

## Information Related With The Members That Take Charge in Management and Audit Boards

Name-Surname	The first year in the Board of Directors	Committees Charged in	The first year in the Committee	Duties Outside the partnership
Samir Kasem	2010			Alghanim Industries - President
Gianni Scotti	2008			Saint Gobain Aegean Region General Director and Delegate
Arnaud Moisset	2012	Corporate Governance Committee Member / Early Detection of Risk Committee Member	2012	Saint Gobain Italy / CFO
Robert Etman	2013	Corporate Governance Committee Member / Early Detection of Risk Committee Member	2013	Alghanim Industries- CFO
A. Nuri Bulut	2002	General Manager		Tat Konserve San. AŞ Board of Directorate Member
Gülsüm Azeri	2012	Audit Committee Member	2012	OMV Petrol Ofisi AŞ - OMV Gaz ve Enerji Holding AŞ CEO- Board of Directorate Member
Pol Zazadze	2012	Audit Committee President. Corporate Governance Committee President. Early Detection of Risk Committee President	2012	Personna Tıraş Ürünleri ve Kozmetik San. Tic. Ltd.Şti General Manager

The Board of Directors consists of minimum 5 Members elected by the general assembly in accordance with the terms of Capital Market Law, Turkish Commercial Code and other relevant legislations.

Board of Directors is formed and operates based on the below principles.

1) The member number of Board of Directors is determined by the General Assembly, being no less than 5, in a way enabling the members to perform effective and constructive studies, to take rational and quick decisions and to create the committees and organize their workings actively.

2) The number and qualifications of independent members that will take charge in the Board of Directors is determined according to the regulations of Capital market Board related with corporate governance.

Majority of the Board of Directors members is composed of persons who do not involved in daily works and regular activities of the company and do not have any administrative duty other than board of directors membership.

3) The issues related with the function, activity principles, structure and mode of meeting of Board of Directors and the working principles of the committees to be formed within the body of Board of Directors are performed in compliance with the regulations of Capital Market Board related with corporate governance.

Turkish Commercial Code, Capital Market Law and regulations of Capital Market Board related with corporate governance and other relevant legislations are applied to determine the term of office of the Board of Directors members and Independent Board of Directors members.

Pursuant to articles 395 and 396 of Turkish Commercial Code, Board of Directors members declares that in 2014 they did not perform the duties that are within the scope of company's operation field personally or on behalf of others basing on the permission given by the General Assembly

The duties of the Board of Directors members outside the company, information about their profile and the Independency Declarations of Independent Board of Directors members is available in our "Corporate Governance Principles Compliance Report".

## INFORMATION ABOUT BOARD & AUDIT COMMITTEE MEMBERS

### Information About the Committees Created By The Board Of Directors and Participation to Committee Meetings

Board members who were selected at the General Assembly Meeting held on 21 March 2014 convened on 14 April 2014 and shared tasks. Independent board members Gülsüm Azeri and Pol Zazadze (President) were assigned as Audit Committee members; independent board member Pol Zazadze (President) and board members Arnaud Jacques Gérard Moisset and Robert Theodoor Gijsbert Etman and Company Accounting Manager, Doruk Özcan who works as a full time manager under the Finance and Administrative Affairs Vice President and who is the holder of Capital Market Activities Advanced Level License and Corporate Management Rating Surveyor License were assigned as Corporate Governance Committee members; Pol Zazadze (President), Arnaud Jacques Gérard Moisset and Robert Theodoor Gijsbert Etman were assigned to Early detection of Risk Committee. While Doruk Özcan has been assigned to the position of Vice General Director of Financial and Administrative as from January 1, 2015 he currently continues his duty as the Manager of Investor Relations

Considering the current structure of the Board of Directors; it was resolved that the duties of Nomination Committee and Wage Committee shall be fulfilled by Corporate Governance Committee. The working principles of the committees are published on the internet page of the company.

The Committee in charge of Audit convened eight times within the year and submitted the financial reports and other assessments within the framework of their working principles to the Board of Directors. The Corporate Governance Committee convened six times within the year and submitted the suggestions and minutes to the Board of Directors. The Early Risk Detection Committee convened five times and submitted the company assessment report to the Board of Directors.

### Financial Rights Provided for Board of Directors Members and Senior Managers

You can examine the “Wage Policy for Board Members and Senior Executives” principles involving the bases of all kinds of rights, interest and wages provided for Board Members and senior executives and also the wage system principle and criteria used to determine them besides the information about Board Members served in 2014 in our “Corporate Governance Principles Compliance Report” attached to this report.

“Wage Policy for Board Members and Senior Executives” involving the bases of all kinds of rights, interest and wages provided for Board Members and senior executives and also the wage system principle and criteria used to determine them has been submitted for the review of our partners on our web site through the “Information Document” issued three weeks before the Ordinary General Assembly convened on 21.03.2014

As it is decided at Regular General Assembly, no fees are paid to the Board of Directors members who are not independent and monthly gross 10.400,00 TL is paid to each independent Board of Directors members.

For the period ended December 31, 2014 and December 31, 2013, remunerations to the top management are comprised the following:

Short term benefits	1 January – 31 December 2014	1 January – 31 December 2013
(Salaries, premiums, housing, company cars, social security, health insurance, vacation pay etc.)	4.112.480	3.140.833
Long term benefits		
(Termination indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	750.712	403.736
	<b>4.863.192</b>	<b>3.544.569</b>

Board of Directors observes that the internal control and risk management systems are working effectively.

Board of Directors has convened three times within the year and every member was present in these meetings.



## MANAGEMENT



**FATİH ÖKTEM**  
Assistant General Manager  
Marketing

**ARİF NURİ BULUT**  
General Manager

**HASAN BASRİ ERÖKTEM**  
Assistant General Manager  
Finance, Administration

**NABİ AKPINAROĞLU**  
Assistant General Manager  
Technical

**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

**Company's Assistant General Manager (Finance-Administration)** Hasan Basri Eröktem 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. He is retired as of 31 December 2014

**Company's Assistant General Manager (Finance-Administration)** that became vacant after Hasan Basri Eröktem's retirement is replaced by Doruk Özcan as of 1 December 2015 who started his work life in İzocam in 2007 as Account Manager.

**Company's Assistant General Manager (Marketing)** Fatih Öktem, 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.

**Company's Assistant General Manager (Technical)** Nabi Akpınaroğlu started his work life in Izocam in 1990, has taken charge in various administrative levels was assigned as the Assistant General Manager in 2014.





## OUR MANAGERS WHO ARE STILL IN CHARGE ARE LISTED BELOW

NAME-SURNAME	DUTY
ARİF NURİ BULUT	GENERAL MANAGER
DORUK ÖZCAN	ASST. GENERAL MNG. FINANCE-ADMINISTRATION
FATİH ÖKTEM	ASSISTANT GENERAL MNG. MARKETING
NABİ AKPINAROĞLU	ASSISTANT GENERAL MANAGER. THECNICAL
ÖNER TORUN	CORPORATE ACCOUNTING MANAGER
DİLEK PEHLEVAN	BUDGET AND FINANCING MANAGER
NEJDET AVCI	INFORMATION SYSTEMS MANAGER
EŞREF BİNGÖL	RESEARCH AND DEVELOPMENT MANAGER
MUSTAFA SELÇUK	PRODUCTION PLANNING AND LOGISTIC MANAGER
HALİL SITKI ERGÜN	ENGINEERING MANAGER
KEMAL GANİ BAYRAKTAR	THECNICAL MARKETING MANAGER
VUSLAT GÖKÇE	HUMAN RESOURCES AND IND. REL. MNG.
UMUT AYHAN	AUDIT AND CONTROL MANAGER
DEMİR AHMET DEMİRTAŞ	EXPORT MANAGER
MUSTAFA RÜŞTÜ UZ	1. DISTRICT SALES MANAGER
BÜLENT YILDIZ	2. DISTRICT SALES MANAGER
SERHAT SERKAN	3. DISTRICT SALES MANAGER
NİHAT KÖŞGER	4. DISTRICT SALES MANAGER
HAKAN ÖZŞANLI	5. DISTRICT SALES MANAGER
AHMET UYSAL	TEKİZ SALES MANAGER
FEZA MAHMUT HOKKACI	FACADE SYSTEMS SALES MANAGER

## DİLOVASI STONE WOOL PRODUCTION FACILITY

ÖMER MEHMET ARUN	FACILITY MANAGER
OLCAY YULTAY	OPERATING MANAGER (STONE WOOL)
GÖKHAN SERİN	QUALITY ASSURANCE MANAGER
HÜSEYİN KOYAK	MAINTENANCE AND AUXILARY OPERATIONS MANAGER

### **DİLOVASI GEBKİM IZOPOR, FOAMBOARD AND TEKİZ PANEL PRODUCTION FACILITIES**

MEHMET BEZZAZOĞLU	FACILITY MANAGER
İLHAN KARAAĞAÇ	FOAMBOARD PRODUCTION MANAGER
ÖZGÜR ÖKTEM	IZOPOR FACILITY PRODUCTION MANAGER
ALİ GÖKÇE ALKAN	TEKİZ PRODUCTION MANAGER
TALAT KIRÇAK	QUALITY ASSURANCE MANAGER
SİNAN KÖSE	MAINTENANCE AND AUXILARY OPERATIONS MANAGER
HAKAN İMREN	HUMAN RESOURCES AND ADM. AFFAIRS MANAGER (GEBKİM VE DİLOVASI)

### **TARSUS GLASS WOOL AND EXTRUDED POLYSYTRENE PRODUCTION FACILITIES**

KORAY MAHMUT TEMUÇİN *	FACILITY MANAGER
TİMUR ARAS	ACCOUNTING AND ADM. AFFAIRS MANAGER
TEFİK YILDIZ	GLASS WOOL PRODUCTION MANAGER
EVRİM YILDIZ	QUALITY ASSURANCE MANAGER

### **ESKİSEHIR RUBBER AND POLYETHYLENE PRODUCTION FACILITY**

SAİT TAŞÇI	PRODUCTION MANAGER
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*\*Tarsus Facility Manager Koray Mahmut Temuçin has retired from our company as of 31 January 2015. Current Maintenance And Auxilary Operations Manager RAMAZAN TOK has been appointed to the vacant position as of 1 February 2015 as new Facility Manager.*

*Our Company makes the required studies and arrangements to ensure the employees and the ones acting on behalf of the Company obey to the ethic rules in their activities and to apply these rules.*

*Average number of personnel in current year is total 435 (average of previous year is 428), where 201 of them is white-collar and 234 of is blue-collar personnel. As of 31 December 2014, total number of our personnel is 442.*

*With the aim of improving the efficiency and productivity in company activities within the year, new management staff has been insinuated and assigned. These insinuated managements and the persons assigned to them are submitted for your information below.*

R&D and Investments Manager	Eşref Bingöl
Audit and Control Manager	Umut Ayhan
Dilovası Facility Maintenance and Utility Services Manager	Hüseyin Koyak
Gebkim Facility Quality Assurance Manager	Talat Kırçak
Gebkim and Dilovası Facilities Human Resources and Administrative Affairs Manager	Hakan İmren
Gebkim Facility Maintenance and Utility Services Manager	Sinan Köse
İzopor Facility Production Manager	Özgür Öktem



## ADMINISTRATIVE ACTIVITIES AND SECTORIAL DEVELOPMENTS

### ***General Overview of Past One Year in General Economy***

*The Turkish economy that has displayed 4,1 % growth in 2013 has slowed down by the end of the first nine months of 2014, in a year where two elections were held and achieved a growth rate of 2,8 %. In the same period the growth in construction sector has decreased from 7 % to 2,9 %.*

*The depreciation in Turkish Lira experienced in the last quarter of 2013 has continued also in 2014 and as a result of this, in comparison with 2013, Turkish Lira has been depreciated on average by 14,9 % against USD within the year. Depreciated Turkish Lira has resulted with double-digit inflation but following the serious drop in oil prices in the last quarter of 2014, significant decreases were experienced in both PPI and CPI.*

*In 2014 where the real sector and consumer confidence indexes are retreated to the minimum levels of the past two years, a limited growth has been realized in construction sector. In this environment Izocam has achieved a growth of 4,6 % in domestic market sales versus 2013. The major part of the increase in total sales which has increased by 7 % in 2014, had come from the export market sales that has grown by 14 % mainly with the advantage of depreciated Turkish Lira.*

### ***Sectorial Developments in 2014***

*Although there were no changes that may markedly affect our activities in legislations related with the activity field of our company within the year following developments has been emerged.*

#### ***Circular related with Exterior Thermal Insulation Applications on Buildings:***

*On 16.07.2014 a circular has been issued that indicates the general conditions which Exterior Thermal Insulation Applications on Buildings should meet in respect of "Regulation on Fire Protection".*

*The reaction to fire classes required from exterior thermal insulation systems depending on building height according to this regulation are summarized below.*

*\* In buildings with ground clearance higher than 21.5 m (> 7 storey) exterior thermal insulation systems containing EPS/XPS thermal insulating material is not used.*

*\* Exterior thermal insulation systems containing stone wool thermal insulating material can be used in all buildings without testing in terms of fire.*

*\* Exterior thermal insulation systems containing EPS/XPS thermal insulating materials should be tested by reaction to fire test method stated in ETAG 004 standard. Reaction to fire classes of these systems should not be worse than C-s3,d2.*

#### ***Action Plan of Program for Developing the Energy Efficiency***

*Within the scope of "Program for Developing the Energy Efficiency" that takes place in 10th Development Plan declared by Prime Minister Ahmet Davutoğlu on 2014 November, it is planned to make thermal insulation of 6,5 million residences within a period foreseen by the Development Plan*

*With the action plan that lay critical responsibilities on the sector and related institutions, it is aimed to decrease the energy density by 10 percent and to insulate a major part of current residence reserve. Within the scope of the program, whose main objective is to improve the insulation of 40% of current residence reserve, it is planned to make the thermal insulation of 6,5 million residences.*

#### ***Sustainable Green Building Regulation***

*On December 2014, Ministry of Environment and Urbanization has issued a Green Building Regulation.*

*With this regulation it is aimed to extend and promote the green buildings and settlements which are built with local materials, eco-friendly, eco-efficient and based on renewable energy in construction industry.*

## ADMINISTRATIVE ACTIVITIES AND SECTORIAL DEVELOPMENTS

### **Activity of Partnership Within The Sector**

*Our Company reserves its distinguished position within the insulation industry sector in Turkey and further develops the sector it operates in with new products added to its range of production.*

*The glass wool produced in Tarsus and stone wool produced in our facilities in Dilovası Organized Industrial Zone, which are known as mineral wool and constitute an important part of our total sales, are manufactured in various types, forms and mixtures and they have a quite wide usage area as thermal and sound insulation materials in industrial and agricultural plants, energy investments and residential sector.*

*Other product groups we manufacture are; the expanded and extruded polystyrene produced in Gebkim-Dilovası Organized Industrial Zone and facilities in Tarsus. These products are widely used on specially wet and cold type insulation applications.*

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

*Elastomeric rubbers and polyethylene that are manufactured in our facilities at Eskişehir Organized Industrial Zone are mainly used for the insulation of pipes, tanks and similar cold type instalment.*

### **Corporate Social Responsibility Policies, Sponsorship Activities, Awards Received**

*Information about our principles related with our corporate social responsibilities, our activities with employees that have environmental results is submitted for your opinion in ‘Corporate Governance Compliance Report’ IV Stakeholders section of our Activity Report.*

### **Research and Development Studies of the Company**

*Our Research and Development activities are carried on under the responsibility of R&D and Investments Management of our company.*

### **Information on interim investments**

*With the completion of second production line with 2.000 tons capacity in rubber facility, our main generating capacity has been reached to 4.000 tones and again, following the completion of a second stone wool pipe line with 900 tons capacity in Stone Wool facilities our total pipe line capacity has been reached to 1.800 tons in 2014.*

*Total amount of our tangible and intangible fixed asset purchases within the year is 9.173.049 TL (15.478.306 TL in 2013).*

### **INTERNAL CONTROL SYSTEM**

*An internal control system has been designed to ensure the effectivity and productivity of operations, reliability of financial reporting system and their compliance with the laws and to provide a reasonable assurance. Essential objective for designing the internal control system is to prevent the adverse outcomes like financial and asset losses, erroneous decisions, occurrence of misuses, revenue loss and company’s being unable to reach its targets. For this reason, the continuance of the system’s operability in a effective and productive way is ensured by performing tests for evaluating the risks in business process and the controls designed to avoid these risks.*

*Izocam Internal Control system is composed of five basic standards connected with each other. These are respectively (1) Control Environment Standards, to reach the company’s targets on the basis of unit and activity targets (2) Risk Assessment Standards, to guide for the right management of risks (3) Control Activities Standards, to effective and timely evaluation of data and information received (4) Information and Communication Standards and (5) Monitoring Standards to evaluate the internal control system and risk management, which involves whole of the organization.*



## ADMINISTRATIVE ACTIVITIES AND SECTORIAL DEVELOPMENTS

*In 2014, within the scope of ensuring the importance and necessity of the internal controls for the company, Reference Book of Izocam Interior Control System has been prepared for enhancing the awareness within the Company and guiding the users, and it is issued both on intranet and in written.*

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

*In 2014, no administrative sanction and punishment were imposed on the company and Board of Director and there is no important case opened against the company. Our Company does not have any substantial incompatibility with public or private institutions*

*Corporate Board of Directors has convened Ordinarily once within the year and the detailed information belonging to this meeting is given in 'Corporate Governance Compliance Report'. All issues that take place in the agenda of this General Assembly and resolved are executed within the year.*

*There were no amendments on the Company Articles of Association in 2014.*

### **Information About The Donations, Contributions Of The Company And The Expenses Spend Within The Framework Of Corporate Social Responsibility And Their Beneficiaries.**

*In 2014, our company has donated and contributed a total 58.086,00 TL; 15.000,00 TL of which is to Mehmetçik Vakfı, 15.000,00 TL to Çağdaş Yaşamı Destekleme Derneği, 10.000, TL to Deniz Temiz Derneği, 10.000, TL to Lösev Lösemili Çocuklar Derneği and 8.086,00 TL to other funds and societies.*

### **Information about the objects determined previous year and their realization**

*Financial, customer, employee, technology and corporate based targets, which were determined by the Board of Directors and form the basis of the assessment related with the performance of senior managers, has been largely realized and exceeded by the end of 2014.*

### **Measures taken in order to prevent conflict of interests with investment consultancy and rating companies**

*No conflict of interest has been experienced within the year between our Company and companies offering investment consultancy and rating services. On the purpose of preventing the possible conflicts of interest, texts that will ensure the prevention of possible conflicts of interest and confidentiality terms are placed in agreements and protocols to be done and confidentiality commitments are signed.*

### **Information about the developments in investments, utilizing incentives and fixed assets**

**Our investment policy;** *is to make investments that will ensure the continuance of our leadership claim in the market in terms of the products we manufacture or investments that will carry our company to leadership.*

*Investments have been made in the direction of improving both the current facilities and the occupational health and safety besides various investments for increasing the capacity, productivity and quality within the year and we did not utilize incentives.*

## TANGIBLE ASSETS

*It was decided to authorize the Board of Directors during Extraordinary General Assembly meeting convened on 30 September 2013 for maturing all kinds of procedures related with the sale of property consisting of masonry factory and three outbuildings with an area of 20.897 m2 at Istanbul province, Ümraniye district, Y.Dudullu street 2nd Region Village, Eriklişinar Açmalar Street (Dudullu Organized Industrial Zone), section no.30/Parcel No: 6433 registered in assets of company, and the Board of Directors appointed the company management for the sale of the real estate in question. On 16 January 2014, the sale process of this property has been accomplished in exchange of USD 21,1 million, deed transfer has been completed and the sale value collected in advance.*

*Values that our tangible assets have been reached as of the end of the year are provided below in comparison with the values of the previous year.*

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

TL	31 December 2014	31 December 2013
<b>Cost</b>		
Lands and Parcels	6.004.308	6.004.308
Land Improvements	4.613.669	4.470.650
Buildings	55.340.487	55.022.693
Plants, Machinery and Equipment	202.341.896	196.109.202
Fixtures, Special Costs	9.252.883	7.909.955
Ongoing Investments	2.094.354	1.470.697
Advances Given	--	--
	<b>279.647.597</b>	<b>270.987.505</b>
<b>Accumulated Depreciation</b>		
Land Improvements	3.127.418	3.002.978
Buildings	19.758.505	18.416.725
Plants, Machinery and Equipment	160.944.198	150.743.225
Fixtures, Special Costs	6.296.079	6.008.179
	<b>190.126.200</b>	<b>178.171.107</b>
<b>Net Book Value</b>	<b>89.521.397</b>	<b>92.816.398</b>

## HUMAN RESOURCES MANAGEMENT

*Our Company has always targeted to be innovative and leader in the sector where he performs since its foundation year 1965. The most important power supply for successfully realizing our goals is our human resource. To contribute to the career development of innovative, qualified and expert personnel, to improve their individual and occupational abilities has become a part of our Human Resources culture.*

*Besides, procuring qualified, open for improvement human resource during recruitment process, providing amenable work conditions, creating a just and transparent working atmosphere in accordance with universal principles to our employees, supporting their development and keeping the motivation high are the distinctive elements of our human resource policy.*

*As of the end of 2014, Izocam continues its activities with total 435 personnel, of which 201 is White colored and 234 blue colored staff. 9 % of the personnel is woman and 91 % is man and the average age is 35 with a seniority average of 9 years. 47% the total labor force consist of university graduates carrying either of Doctorate, Post Graduate or Bachelors degree.*

### **Performance and Competency Management**

*Measurable Performance Assessment System is used in our company within the scope of annual targets. The results of Performance Assessment System that is carried on systematically since 2005 and by which the individual objectives of especially white collar personnel supported, are used in the process of wage rise, process of determination of personal development need and manager potential determining process.*

*Besides, 360 degree Competency Assessment System is applied in our company since 2005 by which the employee is evaluated by his/her manager, horizontal level work fellows, juniors if there is and by himself. Assessment system that examines the Corporate Competencies is an important tool that evaluates the workers in a lot of ways and provides feedbacks. Beyond one-sided feedback, 360 degree feedback system allows a broader group that observes the performance, conduct, behaviors of the worker to give feedback to the worker. Competency Assessment results are used in the process of determining the needs of the worker, process of evaluating the communication roles and manager potential determining process.*

### **Individual and Professional Training**

*Izocam that regards the training and development of human resource as a priority for reaching the targets, allocates resources for the development of employees, offers the opportunity to plan their development by receiving feedback both from their managers and fellow workers through 360 degree competency assessment system. Company provides its employee with the opportunity to receive training in electronic medium apart from the trainers and trainings in physical medium. In 2014, average training time per capita is 54 hours; 51 % of these trainings are internal training, 42% external training and 7 % is the trainings received in electronic environment. Post graduate and English training support is provided in our company under certain circumstances.*

### **Internal Communication**

*With the aim of providing effective information flow between the employees and the company, Communications Plan is revised in 2014 and the functioning related with inner-communication is turned into a procedure. Below methods, that establishes the communication between the company management and employees are elaborated in that procedure;*

- Suggestion system assessment meeting
- Open Door Meetings
- Announcements and Circulars
- Communication Boards
- Intranet

*In 2014, Open Door Meetings are conducted in all facilities. We begin to prepare the plans for the employees of all facilities, sale offices and General Directorate for 2015.*

## HUMAN RESOURCES MANAGEMENT

### ***Fringe Benefits***

*For the purpose of perpetuating the motivation and belonging feelings of its employees, our company supports the activities within or out of the company and promotes the attendance of its employees. The activities supported by our company are:*

- Financial support amounting to the contribution paid by the employee who discretionally joined to the Individual Pension System*
- Financial support that increases according to the term of employment in the company, for premium payments of the personnel who took out a Private Health Insurance*
- Food aid package on holiday eves and detergent and towel packages on year ends.*
- Circumcision Feast (in 2013 for 19 children of 12 personnel and in 2014 9 children of 8 personnel)*
- Participation to Istanbul Dragon Fest (Intercompany Rowing Race)*
- Participation to intercompany tournaments of İzocam Table Tennis Team*
- Welcome party after moving to the new office in General Directorate*
- Merry holiday celebrations*
- New Year celebration*
- Environment Health and Occupational Safety Day celebration*
- Celebrations on birthdays*
- Discretionary influenza vaccine*
- Performance arts like theater, concert etc.*
- Social responsibility projects like blood donation, paper donation, animal shelters*
- Generally accepted salary supplements are made to the personnel and workers of our Company.*
- An increase of 483.505,-TL has occurred in our benefit obligation calculated according to the Notifications of Capital Market Board as of 31.12.2014 and this amount has been included to the long-term liabilities of our balance sheet.*

## FINANCIAL STRUCTURE

*Our balance sheet dated 31.12.2014 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. In addition, our income statement is also submitted for your analysis in ANNEX-2 together with its statements.*

*The funds created by our company within the year were allocated to investments, operating capital increases, tax payments, dividend payments and the paybacks of short-term loans (Statement of Changes in Equity Capital is given in ANNEX -3 and Cash Flow Statement in ANNEX – 4).*

*As of 31.12.2014, our balance sheet and its footnotes that was audited by an independent firm and approved by Audit Committee was examined by the Board of Directors and submitted to the approval of General Assembly after being accepted with our decision dated 10 February 2015 and number 739.*

*We would like to state that the financial statements, their footnotes and periodical activity reports that were drawn up and announced at interim periods and at the end of the first half of 2014 are exactly reflecting the financial status of our Company and that they exactly comply with the legislations and that we are responsible for all the information included in these reports.*

## PRODUCTION QUANTITY

*2014 production amounts and capacity use rates as of product class are as follows:*

(In comparison with 2013)	CAPACITY USAGE RATE (%)		PRODUCTION	
	2014	2013	2014	2013
Mineral Wools (Ton)	68	69	88.924	92.129
Panel Products (000 m <sup>2</sup> )	78	62	1.551	1.243
Plastics (m <sup>3</sup> )	51	59	559.174	586.642

## NET SALES AND PROFITABILITY EVOLUTION

*In comparison with 2013, amounts belonging to our production sales are given in below table.*

*Calculated According to the notifications of Capital Market Board)*

(TL)	2014	2013
Domestic	299.215.612	298.784.056
Other Domestic	13.814.641	610.469
Export	68.446.627	59.960.208
<b>Total Gross Sales</b>	<b>381.476.800</b>	<b>359.354.733</b>
Discount and Returns	-18.555.690	-20.238.377
<b>Net Sales</b>	<b>362.921.190</b>	<b>339.116.356</b>

## YIELD AND PRODUCTIVITY

*Due to our sales policy in 2014, a decrease in our capacity usage rate is observed for mineral wools and plastic products.*

*Productivity ratios show changes in parallel with the increase or decrease in the hours of labor used.*

*Details of our yield coefficients are given below table.*

YIELD COEFFICIENTS (%)		
	2014	2013
Mineral Wools	89	90
Panel	85	80
Plastics	87	89

*As per the policies of the Company, the total amount of guarantees given is 14.351.871,-TL (31 December 2013: 12.901.417,-TL,- TL) and these guarantees generally consists of letters of guarantee and notes submitted to customs houses, domestic suppliers, banks and tax offices.*

## BOARD OF DIRECTORS' ASSESSMENT THAT THE COMPANY IS NOT RUNNING INTO DEBT

*As can be understand from the survey of our Balance Sheet and Income Statements, situations like running into debt or having unreciprocated capital is out of the question.*

## SALES, PROFITABILITY, DEBT & EQUITY FIGURES

Financial Indicators	2010	2011	2012	2013	2014
Sales (TL)	251.144.213	286.431.333	318.292.485	339.116.356	362.921.190
Gross Profit (TL)	77.596.670	81.442.690	79.115.997	82.846.214	86.403.832
EBIT (TL)	40.455.653	43.922.847	33.551.123	37.220.123	86.890.704
EBITDA (TL)	52.086.123	55.841.386	43.862.387	48.488.197	98.169.392
Gross Margin (%)	31	28	25	24	24
EBIT Margin (%)	16	15	11	11	24
EBITDA Margin (%)	21	19	14	14	27

Financial Structures	2010	2011	2012	2013	2014
Liability (TL)	36.762.105	43.319.005	57.997.959	66.750.947	66.634.352
Equity (TL)	148.285.620	154.216.554	148.278.348	148.280.237	185.810.074
Financial Debt (TL)	7.378.523	5.233.090	14.476.383	22.022.085	16.870.466
Net Profit Margin (%)	13	12	8	8	19
Equity / Total Assets (%)	80	78	72	69	74
Total Debt / Equity (%)	25	28	39	45	36
Financial Debt / Total Assets. (%)	4	3	7	10	7
Financial Debt / Equity (%)	5	3	10	15	9

*In order to improve the existing financial structure of the company, weight has been given to Eximbank-sourced, low interest rated credit usage against export commitment for operational capital need in 2014; collection with mobile pos devices system has been put into practice for following up the debts and ensuring their efficiency and in 2015 software for receiving payments and collection by virtual pos will be completed and the transactions will start as of the end of March.*

## PROFIT DISTRIBUTION

*Profit sharing policy of our company is defined in Corporate Governance Principles Compliance Report and the profit sharing proposal that the Board of Directors will submit for the approval of General Assembly related with the distribution of profit belonging to 2014, is below;*

*In compliance with the communiqué of the Capital Market Board with no. II.14.1, as seen from financial statements and footnotes prepared as of 31.12.2014, we have TL 67.705.125,00 TL net period profits in our income statement and according to the legal records a profit of 65.824.527,94 TL has been gained.*

*To distribute 59.364.745,86 TL 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 keep TL 6.459.781,00 TL part (8.340.378,06 TL over the profit calculated according to CMB/TAS) as a secondary reserve, thereby to pay 2,4196788 TL gross=net cash dividends for the share certificates which are at the rate of % 241,96788 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 % 241,96788 TL and net % 205,67269 TL cash dividends for the share certificates which are at the rate of 2,4196788 TL gross and 2,0567269 TL net and have a nominal value of 1,00 TL to the other shareholders; to start the dividend distribution on March 26, 2015 has been proposed.*



## PROFIT DISTRIBUTION (Continued)

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

*Our company is listed on Borsa Istanbul (BIST) under IZOCM code*

*We don't have any long term financial assets.*

## TRANSACTIONS WITH RELATED PARTIES

*Our trading activity with related parties consists of; royalty service purchase, spare part purchase and mutual commodities purchases and as of 31 December 2014, the volume of this trade, ratio of purchasing operations to cost of sold commodities is 0,9% (nine per thousand) and ratio of selling operations to our sales is 0,5% (five per thousand).*

*The details of our transactions with related parties are given in below table.*

<b>Goods and Service Sales to Related Parties</b>	<b>2014</b>	<b>2013</b>
Saint Gobain İnovatif Malz. ve Aşındırıcı San. ve Tic. A.Ş.	1.153.522	-
Saint Gobain Weber Yapı Kimyasalları San. ve Tic. A.Ş.	542.991	693.995
Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş.	106.461	119.295
Saint Gobain Recherche	34.471	23.230
Kuwait Insulating Material Mfg. Co.	18.171	21.616
Alghanim Industries Office	11.975	-
Saint Gobain Isover Ireland	-	47.688
Saint Gobain Gradevinski Proizvodi D.O.O.	-	161.768
<b>TOTAL</b>	<b>1.867.591</b>	<b>1.067.592</b>

<b>Goods and Service Purchases from Related Parties</b>	<b>2014</b>	<b>2013</b>
Saint Gobain Isover	1.270.418	1.256.538
Grunzweig Hartman AG	953.918	934.433
Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş.	251.158	63.522
Saint Gobain Isover SA	144.801	-
Saint Gobain Isover (Almanya)	7.661	-
Saint Gobain Weber Yapı Kimyasalları San. ve Tic. A.Ş.	-	96.501
Saint-Gobain Isover France	-	5.937
Saint-Gobain Isover SA	-	3.960
<b>TOTAL</b>	<b>2.627.956</b>	<b>2.360.891</b>

## TRANSACTIONS WITH RELATED PARTIES (Continued)

*The principles of our company related with our ongoing and respectful businesses with related parties are;*

- *For Purchasing Transactions; goods and services to be purchased being in the required quality, providing the expected quality and performance, deserving the qualities required in the choice that we will make among at least three suppliers whom we received tender simultaneously according to our procedures, including the price and payment conditions.*
- *For Selling Transactions; When price, volume, payment conditions and continuity of the business is taken into consideration it must be at least same as our sales conditions or more advantageous.*

*Provided that not acting against our principles stated above, our Board of Directors has decided in favor of the continuance of our company's trade with related parties*

## INFORMATION AND EVALUATIONS ON RISK MANAGEMENT

*The Board of Directors has formed the Early Detection of Risk Committee among its members and on the condition that the president of the committee should be independent. On the purpose of minimizing the risk that might affect stakeholders, Early Detection of risk Committee conducts periodical meetings and submits its opinions to the Board of Managers in written.*

*Besides, Early Detection of Risk Committee Sub-Working Group that includes the operational processes within the company has been created with the aim of determining the threats that might be faced in order to reach the company targets, measuring the possible risks on the basis of determined criteria and guiding the managers in resolution process. Izocam Corporate Risk Management Model has been designed as being a guide in the activities and assessments of the working group.*

*In Izocam Corporate Risk Management Model, the activities of the Company has been divided into nine parts and information related with these processes are classified under the title of Operational, Strategic, Legislation, Financial and Misuse. Both scenario analysis and impact analysis are made for the determined risks and risk maps are created through the current control levels of the Company. While a part of the risks are managed and monitored within regulations and processes, key indicators are determined for the other part that are measurable and traceable with numeric data. Key indicators are composed of both operational and financial indicators. The agenda items of the meetings of Early Detection of Risk Committee Sub-Working Group are recorded as minutes and submitted for the information of Early Detection of Risk Committee.*

*The Audit and Control Department that works under the General Manager and reports to Audit Committee regularly, continues its studies for creating a more efficient internal control environment by performing the analyses of the company processes and reporting the issues considered as risky to the Senior Management. Besides, periodical audits are conducted by JV (Saint Gobain and Alghanim) and the Independent Auditing Firm, and the audit reports created in consequence of these audits are submitted to the Board of Directors.*

## OTHER SUBJECTS

*Within the year, a part of our blue-collar workers has been affiliated to Kristal İş Labor Union in our Tarsus Glass wool Facility and Gebze Stone wool Facility and made an authorization determination request before the T.C. Ministry of Labor and Social Security General Directorate of Labor. Upon the investigation of the Ministry, the information that the Union in question has constituted the majority demanded by the law is notified to our company; our party objected to the authorization before the relevant Court and the judgment is continuing.*

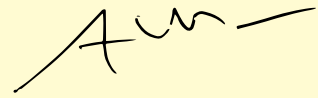
*I would like to greet you all on behalf of the Board of Directors with the hope to attain successful results in the years to come as has been the case up to date and to thank all our employees and executives for their precious efforts in the successful results of our Company.*



SAMIR MAMDOUH KASEM  
Chairman



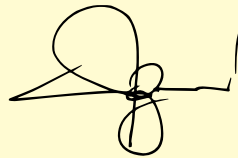
GIANNI SCOTTI  
Vice Chairman of the Board



ARNAUD J. GÉRARD MOISSET  
Member



ROBERT THEODOOR GIJSBERT ETMAN  
Member



GÜLSÜM AZERİ  
Member



POL ZAZADZE  
Member



ARİF NURİ BULUT  
Member - General Manager

## AUDITOR'S REPORT RELATED WITH EARLY DETECTION OF RISK SYSTEM AND COMMITTEE

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

### **Introduction**

*We have audited the early detection of risk system and committee created by İzocam Ticaret ve Sanayi Anonim Şirketi.*

### **Board of Directors' Responsibility**

*According to Clause 1 of Article 378 of Turkish Commercial code (TCC) number 6102, Board of Directors is responsible for creating a specialized committee, making the system work and improving it, with the aim of early determination of causes that endangers the existence, development and continuance of the company; management of the risk and application of required remedies and measure.*

### **Independent Audit Company's Responsibility**

*Basing on the audit we conducted, our responsibility is to express an opinion about the early detection of risk system and committee. The independent audit we conducted has been carried out in accordance with ethical principles and with TCC and "Principles Related With Auditor Report On Early Detection of Risk System and Committee" issued by Public Oversight, Accounting and Auditing Standards Authority. These principles require us to determine whether an early detection of risk system and committee has been created by the company; if it is created, whether the system and committee operates within the framework of article 378 of TCC. The appropriateness of the remedies offered by the early detection of risk committee against the risks and the practices carried out by the management against risks lie behind the scope of our audit.*

### **Information about the early detection of Risk System and Committee**

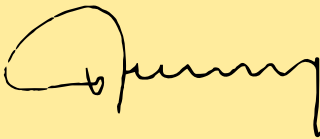
*The company created its early detection of risk system and committee on 3 April 2013 and the committee is composed of three members. Between its foundation date and report date, the committee has worked with the aim of early detection of causes that endangers the existence and development of the company, management of risk and taking necessary measures and remedies for this end. Committee convened five times in 2014 and submitted its reports to Board of Directors.*

### **Result**

*In consequence of the audit we conducted we decided that the early detection of risk system and committee of İzocam Ticaret ve Sanayi Anonim Şirketi is qualified within the framework of article 378 of TCC in all its critical parts.*

*Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi*

*A member firm of Ernst & Young Global Limited*



*Ethem Kutucular, SMMM*

*Partner*

*10 February 2015 İstanbul, Turkey*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION I – CORPORATE GOVERNANCE PRINCIPLES CONFORMANCE STATEMENT

*Compliance with the principles stated in “Communique on the Determination and Practice of Corporate Governance Principles” number II-17.1 of Capital Markets Board and which are obligatory to practice has been ensured. Although it was intended also to comply with the non-obligatory Corporate Governance Principles, because of the difficulties experienced in practice for a group of these principles and the inconsistencies with the existing structure of the market and company for other group, the intended conformance has not been accomplished. Comprehensive studies carried out within the structure of our company pursuant to corporate governance principles, the principles in relevant sections that the compliance has not been accomplished yet and if there is, conflicts of interest resulting from them are explained below.*

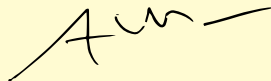
TITLES	WEIGHT	2014 SCORE (over 100)
Shareholders	%25	87,92
Public Disclosure and Transparency	%25	88,85
Stakeholders	%15	90,93
Board of Directors	%35	85,14

*Studies aimed at compliance with the corporate governance principles of CMB and relevant legislation is in the lead of studies in Corporate Governance field. In our 2014 Ordinary General Assembly the procedure related with the designation and public disclosure of Independent prospective members has been realized and their election according to new regulation has been completed. Board of Directors’ committees has continued their activities effectively. Dividend policy of the company has been determined and submitted for partner’s information. Pricing rules for the Board of Directors and Senior Managers has been determined and submitted for the partners’ information at the General Assembly. Information has been given to the partners on the donation and aid policy of the company. General Assembly information like the organizational changes, rights to vote that is obligatory to state in principles, curriculum vitae of Board of Directors’ prospective members, Board of Directors and Senior Managers’ wages policy has been submitted for our investors’ information 3 weeks before the General Assembly by a general assembly information document prepared. All our related party processes have been submitted for the information of the Board of Directors and it was decided to continue the processes in question. Besides, our company’s internet site and activity report has been revised and changes necessary in terms of total compliance with the principles has been made.*

*On the purpose of measuring its Corporate Governance Performance in 2014, our company has been examined for the first time by an independent Corporate Governance Rating institution authorized by CMB, KOBIRATE International Credit Rating and Corporate Governance Services A.Ş. and entitled to take part in BIST Corporate Governance Index by getting 8,76 points over 10. As a result of this, our Company is one of the 49 companies taking place in Corporate Governance Index. This result confirms that our company has largely complied with the Corporate Governance Principles determined by CMB. It is possible to access the Corporate Governance Rating Reports through the Company corporate internet site on [www.izocam.com.tr](http://www.izocam.com.tr).*



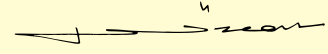
**Pol ZAZADZE**  
Chairman



**Arnaud MOISSET**  
Member



**Robert ETMAN**  
Member



**Doruk ÖZCAN**  
Member

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION II – SHAREHOLDERS

#### 2.1. Investor Relations Unit

*Investor Relations are been performed by a department that is reporting to AGM of Finance and Administration in İzocam Ticaret ve Sanayi A.Ş. The activities conducted by the unit are as below:*

- Correspondences between the investors and partnership also keeping records related with other documents and data has been kept in a confidential, secure and updated manner.*
- Ensuring that written applications to our unit from shareholders are responded within this period.*
- All relevant documentation has been prepared and submitted for the information and review of shareholders concerning the General Assembly meeting. Conducting the ordinary and extraordinary general assembly meetings in accordance with the relevant legislation, prime contract of the Company and other intra partnership regulations has been ensured.*
- Obligations arising from Capital Market Legislation has been followed and fulfilled, including all the issues related with corporate governance and public disclosure.*
- Within the scope of information policy, relations with shareholders have been maintained regularly; trustable and regular information access related with the company has been provided. It was ensured to inform the shareholders by quickly and completely updating the information like activity report, profit announcements on company's internet site.*
- Internet site that is obligatory within the scope of TCC has been created on e-company portal and taken into service.*
- Necessary Material Disclosures have been announced through Public Disclosure Platform taking into consideration the communiques and laws of Capital Markets.*
- Changes in Capital Markets Law and relevant legislation has been followed and presented to the attention of relevant units of the company.*
- Information requests of undergraduates, postgraduates and faculty members making research about our company and the sector have been satisfied.*

*Accounting Manager and Manager of Investor Relations, Doruk Özcan who works as a full time manager under the Finance and Administrative Affairs Vice President Hasan Eröktem is the holder of Capital Market Activities Advanced Level and Corporate Governance Rating Licenses. While Doruk Özcan has been assigned to the position of Assistant General Manager of Finance and Administration as of January 1, 2015 he currently continues his duty as the Manager of Investor Relations.*

*Doruk Özcan : ozcan@izocam.com.tr*

*Phone : +90 216 440 40 50*

*Fax : +90 216 440 40 75*

*İpek Gürbey : gurbey@izocam.com.tr*

*Dilek Pehlevan : pehlevan@izocam.com.tr*

*There were no written applications to our unit from shareholders within this period.*



## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION II – SHAREHOLDERS

#### 2.2 Exercising the Right to Inform by Shareholders

*In İzocam Ticaret ve Sanayi A.Ş., besides the partnership organs, the Investor Relations Unit plays an effective role in facilitating the use of share ownership rights, particularly the rights to demand and review information.*

*With the aim of expanding “the right to inform” of shareholders, all kinds of information and statements that might affect the use of shareholders’ rights have been submitted to the usage of investors on the corporate internet site of the Company ([www.izocam.com.tr](http://www.izocam.com.tr)).*

*Although there is no regulation related with the demand of assigning a special auditor in Articles of Association, the company management avoids from actions that makes special audits difficult. Nevertheless, pursuant to article 438-439 of Turkish Commercial Code, even if it is not on the agenda, every share holder might ask from general assembly to elucidate special events by a special audit if it is necessary to use his/her share ownership rights and if he/she didn’t use his/her right to demand and review previously. Up until now, the shareholders did not express a demand in this direction. Besides, the activities of the company are periodically audited by an independent auditor elected in General Assembly.*

*During the reporting period, the activities of the company have been periodically audited by Independent External Auditor (Güney Bağımsız Denetim ve Serbest Muhasebe Mali Müşavirlik A.Ş. – Ernst Young) which is assigned by General Assembly and the comments related with this issues are displayed on the internet site of the company.*

#### 2.3 General Assembly Meetings

*In 2014, General Assembly of the company has convened for once in Istanbul on March 21, 2014 and quorum of decision has been constituted. Besides every right owner and beneficiary, media (media organs) has been invited to our general assembly meeting.*

*Decisions taken in Ordinary General Assembly of 2013 has been registered on 24.03.2014 by Istanbul Trade Registry Office and announced on Turkish Trade Registry Gazette dated April 4, 2014 (pages 509-510).*

*General Assembly meeting convokes have been made by the Board of Directors in accordance with the provisions of Turkish Commercial Code (TTK), Capital Markets Law and Articles of Association. At the moment when the Board of Directors Decision is taken to hold the General Assembly, all necessary invitations and notifications are announced via PDP (KAP) and since 2013 all invitations and notifications, participations and voting belonging to general assemblies are being made by using the Electronic General Assembly System (EGAS) included in the body of Central Registry Agency. Pursuant to Capital Markets Communiques, meeting notices are issued on Turkish Trade Registry Gazette, PDP, EGAS and internet site of our company. The address where the independently audited financials statements pertaining to the relevant period are open for inspection is stated in these announcements.*

*Besides the “information about total number of shares and right to vote which reflect structure of the partnership, management and activity revisions which realized in previous fiscal periods or planned may affect significantly the partnership activities as of the explanation date and reasons of these changes; about information if there is any dismissal, change or election of the board of directors on the agenda of the general assembly meeting, reasons of the dismissal and change, CVs of the candidates informed to the partnership, tasks executed in recent ten years by them and their dismissal reasons, the relation qualification between partnership and related parties of the partnership and its importance level, whether they are independent or not and in case of such persons being elected as Board Members, information about similar matters may affect the partnership activities; demands of the shareholders of the partnership forwarded in written to the*



## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION II – SHAREHOLDERS

#### 2.3. General Assembly Meetings

*Investor Relations Department for putting an item to the agenda, if the Board of Directors does not accept the shareholders' suggestions about the agenda, the not accepted suggestions and refusal reasons, in case there is any amendment of the articles of association on the agenda, former and new texts of amendments of the articles of association with the related board of directors resolution" the documents to be kept available to examination of the shareholders within the framework of article 437 of the Turkish Commercial Code and, obligatory notifications and statements that has to be done pursuant to relevant legislation is announced to the investors arrestingly on the website [www.izocam.com.tr](http://www.izocam.com.tr) and the Public Disclosure Platform three weeks in advance and together with the General Assembly Meeting Announcement.*

*Each shareholder who wishes to speak at the General Assembly meetings can rise opinion about the company activities and ask questions to the company management and request information. The required answers and explanations are given to them during the meeting.*

*At the General Assembly meeting of 2014, the suggestions made by the controlling shareholders of the Company are taken into consideration.*

*The Board Members and authorized persons and auditors who are responsible for preparing of financial statements are attending to the meetings.*

*The General Assembly minutes are published on our website. Additionally, these minutes are open to examination of our shareholders in the head office and a copy of these are provided upon the request of our shareholders.*

*On choice of meeting venue of the General Assembly, it is taken note to organize a place where the shareholders can reach easily and with low-cost.*

*The Company informs the shareholders by means of a separate meeting item for these about donation and aids at ordinary general assembly meetings.*

#### 2.4 Rights to Vote and Minority Rights

*All practices complicating the right to vote are avoided in our Company. There is no any privilege about this subject in the Articles of Association. The legal entities which are our affiliates and reciprocal shareholding companies do not taken part among our shareholders.*

*There is not any member representing the minority at the management of the Company.*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION II – SHAREHOLDERS

#### 2.5 Right to Profit Share

*No privilege takes place in the Articles of Association about participation to the Company profit.*

*The profit distribution policy of our company; our Company distributes dividend to the shareholders on the condition that it is not less than the calculated distributable profit according to communiqués of the Capital Market Law by taking into consideration its long-term strategies, investment and finance plans and profitability situation. Whole of the declared dividend may be in cash or bonus share (covered by Company resources) besides being partly in cash and partly bonus share.*

*The profit distribution is realized within the legal terms in accordance with the Turkish Commercial Code and the Capital Market Law.*

*The Company submits the profit distribution policy at the Ordinary General Assembly meeting with a separate agenda item for the Shareholders' information and announces this in its activity report in company website.*

#### 2.6 Transfer of Shares

*Provisions restricting the transfer of shares or practices complicating the free transfer of shares do not exist in our Articles of Association*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION III – PUBLIC DISCLOSURE AND TRANSPERANCY

#### 3.1. Corporate Internet Site and its Content

*On the purpose of maintaining the investor relations efficiently and quickly thereby communicating with the shareholders continuously, our Company publishes the financial statements submitted to the Capital Market Board and explanations made both through the Public Disclosure Platform and on its official website [www.izocam.com.tr](http://www.izocam.com.tr) in English and Turkish.*

*The following issues stated in Corporate Governance Principles are displayed in the Company website in English and Turkish.*

*“Information Society Services, Trade Registry information, partnership and management structure of the Company, the Articles of Association of the Company as well as numbers and dates of Turkish Trade Registry Gazette where the amendments are published, Material Disclosures, financial reports, activity reports, all other public disclosure documents, invitations for the General Assembly meetings, their agenda, form of voting by proxy, explanations about the agenda, list of attendants, meeting minutes, the Corporate Management applications and compliance report, Corporate Governance Rating Reports, periodical financial statements and independent audit reports, the information policy, the profit distribution policy, the code of conducts, share buyback policy of the company, donation and aids policy, pricing and indemnity policy, corporate social responsibility policy, human resources policy, senior managers wage policy, frequently asked questions, information about members of the Audit Committee, the Corporate Management Committee and the Early Determination of Risk Committee and working principles of these Committees, information about the board members and the top executives, organization structure”.*

*The information to be disclosed to public is submitted to usage of the public through “the Public Disclosure Platform” ([www.kap.gov.tr](http://www.kap.gov.tr)) and on the website ([www.izocam.com.tr](http://www.izocam.com.tr)) of our Company in a way that ensures on time, accurate, completely, understandable, interpretable and low-cost access, in order to help the decision making of persons and corporations which will benefit from these explanations.*

*The General Management and Deputy General Management in charge of Financial and Administrative Affairs are the responsible departments for the public disclosure. announcements and information that are announced to the public via all kind of communication instruments including e-communication as well as methods prescribed in the legislation with required frequencies in order to provide accessing to as much as possible shareholders in consideration of minimum periods determined in provisions of Turkish Commercial Code, the Capital Market Law and other relevant legislation.*

*On the purpose of maintaining the investor relations efficiently and quickly and communicating with the shareholders continuously, our Company publishes the financial statements submitted to the Capital Market Board and explanations made through the Public Disclosure Platform on its official website [www.izocam.com.tr](http://www.izocam.com.tr) both in English and Turkish.*

#### 3.2. Activity Report

*The Board of Directors has prepared activity report in detail for ensuring easy access of the public to full and correct information about activities of the Company The activity report is prepared in accordance with the corporate management principles.*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION IV – STAKEHOLDERS

#### 4.1. Informing the Stakeholders:

*In cases of the stakeholders are not protected by relevant legislation and mutual contracts against operations and activities, interests of the stakeholders are protected by the company within the framework of good faith rules and within the bounds of possibility.*

*The Company has announced its indemnity policy for the employees on [www.izocam.com.tr](http://www.izocam.com.tr). The stakeholders related with the Company are informed by inviting to meetings or using telecommunication instruments on matters related to them, if necessary.*

#### 4.2. Codetermination of the Stakeholders

*Our prior and indispensable target is the customer satisfaction on marketing and selling the goods and services. The customer satisfaction is reported and followed regularly and policies are changed when necessary*

#### 4.3. Human Resources Policy

*The goal of our Human Resources policy is to plan, recruit, assign in service units, develop the human resource that will ensure the performance of the work in an effective and productive way; to make, implement plans for meeting the training needs after determining them, to specify competences, to carry out the performance management, career planning studies in accordance with scientific methods.*

*Within the scope of this policy, criteria related with personnel recruitment and promotion mechanism are specified in written and our goal as Human Resources is to develop the competency of our human power continuously and to maintain our lasting superiority in global competition environment by remaining loyal to;*

- Right man for right job*
- Equal pay for equal work*
- Merit based on success*
- Equal opportunity for everybody*

*The operation of human resources systems determined with this purpose in view is defined by procedures and announced to all personnel.*

*Job definition and distribution of company workers and criteria related with performance and awarding are notified to the employee. Productivity is taken into consideration for determining the wages and other benefits of workers. Language, religion, gender, race etc. discrimination during recruitment and between employees is exactly disallowed. The rights of employee are granted justly*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION IV – STAKEHOLDERS

*Opinions are exchanged through personnel-oriented contact meetings related with the issues like financial situation of the firm, wage, career, training, health. On the purpose of ensuring the participation of workers in management, benefiting from their views and reinforcing healthy communication methods like;*

- Suggestion system assessment meeting,
- Open door meetings,
- Announcements and circulars,
- Communication boards,
- Intranet

*are used. Training policies are created to improve the information, skill and convenances of workers. Training programs are determined and implemented annually.*

*With reference to one of the most important principles our company has adopted namely, “value attached to worker”, we are encouraging putting into effect planned and systematic studies within the scope of Occupational Health and Safety TS 18001 by creating coherence between the legal regulations and business processes.*

*For realizing the targets and expectations of employees and the company, we do educational planning every year;*

*During 12 month period of 2014;*

*Outdoor Trainings: 10.003 hours,*

*Indoor Trainings: 12.165 hours*

*E-Training: 1.639 hours*

*Total Training Hours: 23.807 hours*

*Training hours per capita: 54,73 hours (by the end of December 2014 - average person 435)*

*With the aim of providing effective information flow between the employees and the company, Communications Plan is revised in 2014 and the functioning related with inner-communication is turned into a procedure. Below methods, that establishes the communication between the company management and employees are elaborated in that procedure;*

- - Suggestion system assessment meeting
- - Open Door Meetings
- - Announcements and Circulars
- - Communication Boards
- - Intranet

*In 2014, Open Door Meetings are conducted in all facilities. We begin to prepare the plans for the employees of all facilities, sale offices and General Directorate for 2015.*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION IV – STAKEHOLDERS

*For the purpose of perpetuating the motivation and belonging feelings of its employees, our company supports the activities within or out of the company and promotes the attendance of its employees. The activities supported by our company are:*

- *Financial support amounting to the contribution paid by the employee who discretionally joined to the Individual Pension System*
- *Financial support that increases according to the term of employment in the company, for*
- *premium payments of the personnel who took out a Private Health Insurance*
- *Food aid package on holiday eves and detergent and towel packages on year ends.*
- *Circumcision Feast (in 2013 for 19 children of 12 personnel and in 2014 9 children of 8 personnel)*
- *Participation to İstanbul Dragon Fest (Intercompany Rowing Race)*
- *Participation to intercompany tournaments of Izocam Table Tennis Team*
- *Welcome party after moving to the new office in General Directorate*
- *Merry holiday celebrations*
- *New Year celebration*
- *Environment Health and Occupational Safety Day celebration*
- *Celebrations on birthdays*
- *Discretionary influenza vaccine*

*With the purpose of both raising the social consciousness related with its activities and contributing the development of persons within the sector, our company conducts seminars and trainings and carries out continuous activities.*

#### **4.4 Relations With Other Stakeholders (Sector representatives, professionals and students)**

##### **4.4.1 Insulation Foremen Trainings**

*Since 2014 Izocam training team composed of architectures, engineers and technicians that are expert in their fields, arranges monthly trainings in Izocam Ateliers within the Turkey Training Site under the supervision of expert teaching assistants assigned by Ministry of National Education.*

*Izocam continues to offer free of charge trainings for delivering the “Professional Competence Certificate” (MYB) that became obligatory as of 2015 by a new legal regulation for foremen to work in construction and instalment business. Third of the trainings given in accordance with the legislations of Professional Competence Board (MYK) is held by Izocam between 12-16 January 2015 in Türkiye Yol-İş Training Site Sincan-Ankara with the participation of 20 masters and “Foremen Training Professional Competency of Thermal Insulation” is provided.*

*Trainings are carried out by Izocam training team composed of architectures, engineers and technicians that are expert in their fields and under the supervision of expert teaching assistants assigned by Ministry of National Education.*

*The “Foreman Training Professional Competency of Thermal Insulation” trainings, which are carried out to deliver “Professional Competence Certificate” in accordance with the legislation of Professional Competence Board (MYK) in order to develop the occupational competency of foremen working in insulation business in construction areas, includes the units of Work Organization in Thermal Insulation, Occupational Health and Safety, Thermal Insulation for Foundation, Facade and Ceiling, Thermal Insulation for Walls (External Thermal Insulation Composite System) and Thermal Insulation for Roofs.*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION IV – STAKEHOLDERS

*In Thermal Insulation Foremen Training carried out in two phases as theoretical and hands-on at İzocam Turkey Training Site, together with material cognizance, proper detail and proper applications are shown to the foremen, they are taught how to correct the wrong applications and detail information known as right. Besides, information is given to attendants for reading the projects, performing quantity takeoff, making material analysis and assistance to develop themselves.*

*Following the trainings a test is held for certification by İntes MYM which is an Accredited Certification Center. With the assessment and evaluation test consisting two phases as theoretical and weighted application, the competence of foremen to receive Professional Competence Certificate has been evaluated.*

*MYK Thermal Insulation Professional Competency Certificates are delivered to the masters that were successful in the assessment and evaluation test held by accredited test center following the Thermal Insulation Professional Competency Training carried out in November and December. MYK Professional Competency Certificate is an accredited document having both internationally and national validity.*

*People who want to benefit from **MYK Professional Competency Test** that will substitute **Master Competency Certificate** within the framework of National Profession Standards can apply to İzocam.*

*MYK Professional Competency Test can be taken by attending to the trainings or the foremen can directly apply to accredited institutions like İntes MYM, Tebar or Belgetürk and take the test related with the issues they believe they are competent. Taking the test after attending the trainings is important in terms of being successful at them and benefiting from the trainings.*

*Within the framework of MYK Training for Insulated Gypsum Board Walls and Suspended Ceiling Systems-Interior Isolation that includes “Gypsum Board Applicator” occupation according to MYK legislations, was given together with Rigip between December 2014 and January 2015 besides the “Thermal Insulation” trainings. The attendants subjected to Professional Competency test at the end of these trainings lasted 4 days.*

*At the completion of our master trainings related with Plastered Exterior Insulation Systems (ETICS), Insulation of Industrial Buildings and Roofs, Insulation of Gypsum Board Partition Walls and Suspended Ceiling Systems (Interior Insulation); Ministry of Education (MEB) approved certificates are delivered to 1584 successful masters as of the end of January 2015 (to 1514 masters as of the end of December).*

*In all our trainings our goal is to improve the quality of employees working in the field of insulation and to provide the information, ability and conduct necessitated by the occupation for the new labor force needed; to ensure the development of the economy of our country and protect the consumer by putting an end to wrong or unnecessary material selection and application. Besides, information on raising the awareness of insulation and energy save, making the most of insulation comfort and protecting the environment through insulation is relayed to the attendant in all our trainings.*

#### **4.4.2 İzodemi Trainings**

*Every year İzocam organizes İzodemi trainings for its vendors and vendor customers. Trainings are performed every year with a different theme. In 2012, 412 people has participated to trainings that were held in Istanbul, Trabzon, Erzurum, Ankara, Adana, Antalya, Samsun, İzmir, Diyarbakır and Bursa under the title of Digital Marketing and Branding, Digital Advertising and Social Media Marketing. In 2013, 204 people has participated to trainings that were held in Istanbul, Trabzon, Erzurum, Ankara, Adana, Antalya, Samsun, İzmir, Diyarbakır and Bursa under the title of Institutionalization, Benefits of Institutionalization, Branding, Brand Architecture and Brand Wheel.*



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### SECTION IV – STAKEHOLDERS

*We reached to total of 278 sector representative with Izodemi trainings held in at Istanbul, Samsun, Bursa, Ankara, Diyarbakır, Adana, Antalya, İzmir Erzurum in 2014. Issues like “customer and sales concept, successful sale, effective communication, customer analysis” took place in Izodemi trainings held this year. The processes necessary for effective customer relations, course of the processes, benefits of these processes are communicated to Izocam vendors, customers and employees.*

#### **4.4.3 Insulation Contest**

*In an effort to ensure the expansion of insulation consciousness among the university students, the interoperability between disciplines and the improvement of skill, Izocam organizes “The Insulation Contest for University Students” since 1999. Izocam also takes a step further to carry the contest to international arena by participating International Insulation Contest held by Isover for the past 5 years. 58 project/team take part in jury assessment during the past 5 years. Every year, top three winners among the students that were applied to the contest with their projects within the framework of the theme stated, represents our country abroad by competing with the students from other countries. Due to this contest, they find the opportunity of both being acquainted with students and instructors of other countries and also seeing the architectural structure, geography and historical artifacts of the country, they visited.*

*Izocam that emphasizes the importance of insulation on every platform holds an insulation contest related with “Multi Comfort Buildings” with the aim of providing the implementation in Turkey of Multi Comfort Buildings that is developed on the basis of Passive House principles.*

*The results of the 14th insulation contest that Izocam runs for the university students under the title of “Multi Comfort Buildings / 2014: School of Future – Gaziantep” is announced. The prizes of the students ranked in University Students Insulation Contest organized under the title of “Multi Comfort Buildings / 2014: School of Future – Gaziantep” are awarded.*

*The finalists were entitled to compete in international stage that is held in Bucharest on 28-31 May 2014.*

*Applications for 2015 have started. Detailed information about the contest and application for can be found on [www.yalitimyarismasi.com](http://www.yalitimyarismasi.com)*

#### **4.4.4 Izocam Insulation Training Center (İYEM)**

*İYEM that was founded with the purpose of extending the insulation awareness and providing trainings about good insulation in our country maintains the activities, which it carried out with an understanding of social responsibility since 17 years.*

*Izocam Insulation Education Center - İYEM whose purpose is to spread the insulation consciousness, to ensure the adequate application of heat, sound, fire and water insulation and to convey the latest information and practices of the sector, gives services to all segments interested in insulation.*

*İYEM that undertakes a very important mission in our country’s construction, instalment and insulation sector prioritizes the requirement of education of sector workers related with the practices of heat, sound, fire and water insulation and relevant regulations on every occasion.*

*A misapplication during the insulation causes enormous energy dissipations in buildings. To raise the awareness of public opinion about insulation is one of the main subjects that İYEM places too much stress. Especially, the heat insulation becomes prominent because of its contribution to both domestic and country economies and its eco-friendly features. Researches conducted so far shows that, the insulation applications performed according to the standards provide savings up to %30-80, when compared with the buildings*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION IV – STAKEHOLDERS

*uninsulated or wrongly insulated buildings. Correct heat insulation creates an evenly decrease in energy bill. Besides, sound insulation and fire safety is provided. Correct insulation practices that will be ensured by increasing the number of qualified technical personnel within sector would minimize the dissipation of energy.*

*As of 31 December 2014, 42.548 days of education is provided to 18.930 people from the various sectors of our country (like Construction Companies, Architecture Offices, Industrial Plants, MND Departments of Construction, Universities and Municipalities) within the context of trainings offered by İYEM for 17 years since November 1998. Trainings given at İYEM by 43 experts and academicians continues year around as two periods. “Insulation Specialist Certificate” is awarded to trainees that accomplish all the free of charge trainings of İYEM.*

#### **4.5. Corporate Social Responsibility Policy**

*Izocam regards as its corporate social responsibility to use its reasonable efforts on any issue regarding its shareholders.*

*As stated in Corporate Management Compliance Reports” of Izocam, we approach every “shareholder” within the scope of corporate social responsibility. On the purpose of evaluating the corporate management practices within the framework of especially the “shareholders”, “public disclosure and transparency”, “beneficiaries” and “Board of Directors”, in a way including the activities of our company in this direction, the Company procures “Corporate Management Rating” and issues the report containing also the Corporate Management Rating Note in question on Public Disclosure Platform and on our website.*

*Our company that takes place in BIST (ISE) Corporate Management Index continues its regular revisions to maximize its trustworthiness in the eye of its shareholders, to ensure compliance with legislation and to further strengthen its structure.*

*Izocam works with the desire to be a friendly brand for its customer and develops projects for the requirements of society*

*Izocam runs corporate social responsibility projects in the field of education, health, environment, culture and art and acts according to the principle of sustainability and real effectuality of the projects.*

#### **Social Responsibility Projects**

##### **New Generation Glass Wool**

*New generation glass wool is developed as a new product, which is far more sensitive to environment and health. New Generation Glass Wool that saves 100 times more energy than the energy used for its production shows its difference with its low carbon footprint and high eco-friendly features. New generation glass wool products offer a perfect comfort with their improved sound insulation performance while providing high efficiency heat insulation. New generation glass wool is an environment-friendly product in every respect from production phase to implementation and usage processes. New generation glass wool that is produced with natural minerals and reversible raw material, has received the EUCB certificate, which is given only to the bio-product category by the European Certification Board for Mineral Glass Products. It is proved that the products holding of this certificate are not harmful to health and not classified as hazardous in terms of packaging, labeling and classification of chemical substances and mixtures pursuant to European Union Regulation.*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION IV – STAKEHOLDERS

#### **OZİ**

*With a project called “Energy Efficiency and the Importance of Insulation”, İzocam aims at raising the awareness of children about the things that must be done in order to control the environment in a world where global warming is a great risk. İzocam believes that the children whose awareness about “Energy Efficiency, Global Warming and Environment” is raised by “OZİ Social Responsibility Project” during the primary education age will grow up as individuals that search and interrogate.*

*With the project called “Energy Saving and the Importance of Insulation”, in the first phase of 2010 trainings are provided in primary schools located in Kadıköy, Bakırköy, Gebze, Dilovası, Şişli, Ataşehir, Ankara (Çankaya & Gölbaşı), Beşiktaş and Sarıyer districts. Our project has reached to approximately 70.000 students at present.*

*By medium and long term planning, İzocam is planning to continue its projects that are focused on raising the awareness of next generations. One of the targets of the next phases of our project is to reach the primary schools and students settled in other cities.*

#### **Energetic View**

*İzocam stresses on every occasion the importance it attached to “Energy Efficiency”. It is İzocam’s priority to create awareness of using the energy economically by “insulation”. There are great numbers of social responsibility projects that we realized in this field. In order to reach the large masses, İzocam keeps the importance of the subject on agenda with one or two new projects every year.*

*Energetic View contains many elements related with “Energy Efficiency”. It is a project that comprise all states of energy and that can call attention to this subject. İzocam co-operated with İFSAK (İstanbul Photography, Movie Amateurs Association) in this project. The starting point of İFSAK and İzocam in this project was to provide an insight about the energy, to call the attention of youth and individuals to energy efficiency with a different point of view. The main theme of project is to approach the energy by way of art in the company of people from different disciplines.*

*Starting point of the project was to call the attention of society to energy efficiency. With the thought that the best way of achieving this end is to interpret the “energy” by art, we received support from artists. Nearly 300 people belonging to different profession groups joined to our project. Originally, it was planned to represent the energy only by photos but later on works based on essay, short-film and composition are allowed too.*

*Album consists of 120 photography and 120 essays. While photograph artists, film directors and musicians take part in the exhibition with their photographs, many figures contribute with their writings. Rıza Kıracı made a film special to exhibition. Later on two compositions of Özkan Samioğlu and Teneke Trampet joined to the project. Then came the animation film of Anıl Tortop, ZG (Zerre Grain). In the end, an exhibition composed of these workings and an album containing all these workings is prepared. A DVD that comprises the short film, animation film and music is offered together with the album.*

*Following the first exhibition, we received positive criticism from audience, press and artists who supported the project with their works. Besides, the project draw interest in terms of the stress it laid on such an important theme that will have an impact on our future. Energetic View exhibition meet up with 4.000 people in İstanbul, İzmir, Adana, Ankara and Bursa. İzocam continues to bring the project and different masses together.*

*Energetic View that is organized by the cooperation of İzocam and İFSAK (İstanbul Fotoğraf ve Sinema Amatörleri Derneği) and which involves numerous celebrities is exhibited at Eskişehir Atatürk Kültür-Sanat ve Kongre Merkezi between 26 November- 12 December 2014 and visited by more than 2000 art lovers. Exhibition will continue to meet with the art lovers in various cities.*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION IV – STAKEHOLDERS

#### 4.6 Codes of Conduct

*Our Company makes the required operations and regulations for ensuring the compliance of employees and representatives with codes of conduct on their activities and implementation of these codes of conducts. It is complied with generally accepted codes of conduct in the light of the legislation and regulation for this matter. Besides, within scope of the Corporate Management Principles, “The Working and Conduct Principles Constituting The Ethic Values of Izocam” has been put in writing as of 14 February 2012 and published on the website and disclosed to public. Training was given to the personnel by the top management about our principles and also training of employees about the subject on internet via “e-learning” method has been provided and the trainings were recorded. Within this scope, an Ethic Committee has been established within the Company for implementing and protecting these values.*

*The Company complies with rules related to environment, consumers, and public health. It takes all kind of measures to increase customer satisfaction related with marketing and sale of the goods and services, meets the demands of customers as soon as possible. Our products have ISO 9001- 2008 quality certificate and it is taken care to protect this quality standards. The Company organizes pools which measures the dealer satisfaction.*

*The company is attentive to the confidentiality of the information about the customers and suppliers that is considered as secret.*

### SECTION V - BOARD OF DIRECTORS

#### 5.1. Structure and Formation of Board of Directors

*The Board of Directors of our Company is structured in accordance with provisions of article 11 of our Articles of Association. Mr. Arif Nuri Bulut, General Manager works as a executive member at the Board of Directors. The Board of Directors of our Company consists of 7 Board Members including 2 independent members. Following the General Assembly meetings where Board Members were elected, by means of resolution for task distribution, the Chairman and the Vice-Chairman were determined and the Committee in charge of Audit, the Corporate Management Committee and The Early Risk Detection Committee were appointed. In case of termination of Board Membership in the period, provisions of article 363 of the Turkish Commercial Code are applied.*

***Curriculum Vitae of the Board Members selected at the General Assembly meeting dated 21 March 2014 and continuing to their tasks within the period is submitted below:***

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION V - BOARD OF DIRECTORS

#### **MR SAMİR 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 Izocam 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 Izocam Holding A.Ş., which is a Saint Gobain/Alghanim partnership. Samir Kasem is not an independent member and still works as our company's Chairman.*

#### **MR 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 Izocam Tic. ve San. A.Ş. since 2008.*

*Gianni Scotti has not a performance task, is Board Member of Izocam Holding A.Ş. which is a Saint Gobain/Alghanim Partnership and he is not an independent member and currently Vice Chairman of our Company.*

#### **MR 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 Izocam 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 Izocam 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.*



## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION V - BOARD OF DIRECTORS

#### **MR ROBERT ETMAN**

*Robert Etman was graduated from Technical University, Delft, Netherlands– Physical and Computer Science Department. He has England Chartered Institute of Management Accountants – Public Accountant Certificate.*

*He is responsible for Interior Audit, Treasury, Financial Planning and Analysis, Corporate Management, Capital Planning, Company Merger and Purchasing and Investor Relations activities as CFO of Alghanim Industries Kuwait which has miscellaneous industry investments in Middle East, India and Southeast Asia and he is in the Board of Directors of Izocam Tic. ve San. A.Ş.*

*He worked for Univer PLC over 20 years in miscellaneous management levels before joining Alghanim.*

*Robert Etman has extensive experience about financial control and management and purchasing and merging operations, business models based on tax and business systems development, strategy development and treasury, He speaks English and Dutch.*

*Robert Etman has not a performance task, is Board Member of Izocam Holding A.Ş. which is a Saint Gobain/ Alghanim Partnership and he is not an independent member and currently is continuing his task as a Board Member of our Company.*

#### **MR ARİF 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.*



## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION V - BOARD OF DIRECTORS

#### **MRS 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. 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.*

#### **MR 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.*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION V - BOARD OF DIRECTORS

#### *Independency Statements of Independent Board Member Candidates;*

*Mrs. Gülsüm Azeri and Mr. Pol Zazadze have signed the following statements and submitted to our Company.*

*I am a candidate for functioning as “the independent member” at the Board of Directors of Izocam Ticaret ve San. A.Ş. (the Company) under criteria determined by the legislation, the Articles of Association and the Capital Market Board and within this scope, I declare that;*

- a) There is no employment relation in management position that requires taking on important responsibilities and tasks between the Company, partnerships that the Company have management control or important effect on, partners that have management control or important effect on the Company and legal persons on which the partners have management control on and me, my spouse, my relatives up to second degree and relatives by marriage during last 5 years; I do not own more than 5 % of the capital or vote rights or privileged shares alone or jointly; or I didn't enter into critical commercial relation,*
- b) During the last five years, I did not worked in management position that requires taking on important responsibilities and tasks, did not served as Board of Directors member, I am not a partner (more than %5) in companies which audited, (including tax audit, legal audit, internal audit) rated and consulted to the Company and also companies that the Company sell products or buy products from in a considerable extend within the framework of agreements, during the periods when products and services are sold and buy,*
- c) As seen from my background enclosed, I have professional education, knowledge and experience to perform my duties due to the independent Board Membership,*
- d) I do not work as full-time at public institutions and corporations as of the current situation,*
- e) I am deemed a resident in Turkey according the Income Tax Law,*
- f) I can contribute positively to the Company activities, will keep my objectivity for conflict of interest between the shareholders, I have the strong ethic standards, occupational reputation and experience to decide freely in consideration of rights of the stakeholders.*
- g) I will spare time for the Company that is needed to follow the company activities, and to fulfill the requirements of the position I have taken.*
- h) During the past ten years, I did not serve as a member of the board of directors of the company more than six years.*
- i) I do not serve as independent board of member in more than three of the companies that the Company or the partners having management control of the Company has management control on and in more than five of the publicly traded companies*
- j) I am not registered and announced in the name of Izocam Ticaret ve Sanayi Anonim Şirketi legal entity.*

*Pursuant to articles 395 and 396 of Turkish Commercial Code, approval is obtained from the General Assembly in order that the Chairman and Board Members can perform the activities entering to subjects of the Company personally or on behalf of other persons and become partners to the companies performing such activities.*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION V - BOARD OF DIRECTORS

#### 5.2. Activity Principles of the Board of Directors

*Authorities and responsibilities of the Board Members are specified clearly in the Articles of Association. The authorities are specified in detail in specimen signature of the Company and all kind of decisions are valid with minimum two authorized signatories.*

*The Chairman and General Director are not same persons.*

*Agenda of the Board of Directors meetings are determined based on the information transmitted to the Company senior management and Board of Directors members by the relevant units about the matters that the Articles of Association commands to be resolved by the Board of Directors. Apart from this, the meeting agenda is determined also upon the information transmitted to Company senior management by any of the Board members about a specific subject to be resolved.*

*The subjects demanded to be discussed in the Board of Directors meetings are gathered at department of Vice General Directorate of Financial and Administrative Affairs and the agenda is set after consolidating them.*

*The Vice Director of Financial and Administrative Affairs is appointed to determine the agenda of Board of Directors meetings of Izocam Ticaret ve Sanayi A.Ş., to prepare decision of the Board of Directors taken in accordance with provision of article of 390/4 of the Turkish Commercial Code, to inform the Board Members and to provide the communication.*

*The Board of Directors convenes when needed and decides by majority of attended Board Members, provisions of article 390/ 4 of the Turkish Commercial Code are reserved. Validity of Board of Directors decisions are subject to being written and signed.*

*Different opinions and negative vote reasons explained during the Board of Directors meetings are recorded to the resolution minutes. However, since such opposition or different opinion was not declared in recent times any explanation to the public has not been made.*

*The financial losses that might incur by the faults of Board Members during their duties are insured for a sum exceeding 25% of the company's capital.*

*The Board of Directors convened three times within the year, all Board Members attended to the said meetings.*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION V - BOARD OF DIRECTORS

#### 5.3. Number, Structure and Independency of Committees created within the Board of Directors

*Within the framework of Corporate Governance Principles of Capital Market and Company Board of Directors' Working Principles, current Board of Directors' comprises of the Corporate Governance Committee, Early Detection of Risk Committee and Audit Committee. Independent Board of Directors members preside at the committees in question and as required by legal regulation, all the members of the Audit Committee are Independent members. Presidents and members of the committees are stated below.*

#### Corporate Governance Committee

##### President

Pol Zazadze

##### Member

Arnaud Moisset

Robert Etman

Doruk Özcan

#### Early Detection of Risk Committee

##### President

Pol Zazadze

##### Member

Arnaud Moisset

Robert Etman

#### Audit Committee

##### President

Pol Zazadze

##### Member

Gülsüm Azeri

*Board of Directors Members elected at the General Assembly Meeting held in 21 March 2014 convened in 14 April 2014 and shared the tasks. There were no changes in elected Board of Directors and Committee membership within the year.*

*In consideration of current structure of the Board of Directors, it is decided that the tasks of the Nomination Committee and the Wage Committee should be performed by the Corporate Governance Committee.*

*There is one woman member in the Board of Directors and she constitutes 14 percent of the total members of the Board.*

*The Committee in charge of Audit convened eight times within the year and submitted the financial reports and other assessments under the working principles to the Board of Directors. The Corporate Governance Committee convened six times within the year and submitted the suggestions and minutes to the Board of Directors. The Early Risk Detection Committee convened five times and submitted the company assessment report to the Board of Directors.*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION V - BOARD OF DIRECTORS

#### 5.4. Risk Management and Interior Control Mechanism

*The Board of Directors has formed the Early Risk Detection Committee and on the purpose of minimizing the risks that might affect the stakeholders, has appointed an internal audit specialist to keep efficiency of interior audit systems in a way to involve operational activities and information systems process.*

*Early Detection of Risk Committee has requested to start a work for mapping the operational activities, determining the risks of process and specifying the control activities in order to provide integration of the risk management and interior control systems to the corporate structure of the company and to manage possible risks effectively. Upon the request of the Committee, being in the first place the basic processes, the processes affected the company operations in 2013 are determined and risk-control matrixes belonging to these processes are started to be created. The completed processes were shared with the Early Risk Detection Committee and the criteria about detection and management of the risks was submitted to opinion of the committee members.*

*Purpose of Izocam risk management model is to foresee possible problems that might arise if the risks are realized and to assess the current controls in order to ensure management of the risks effectively by means of providing additional controls, if necessary. The Company has formed the Risk Management Table in order to follow the risks. The analysis for critical processes was completed. In addition to that, with the aim of enhancing the awareness within the Company and guiding the users, Izocam Reference Book of Internal Control System has been prepared that also contains the internal control activities providing the efficiency of risk management process.*

*Efficiency of the internal control system is tested through the internal audit, the personnel in charge of audits works under the General Manager, is in direct contact with the Audit Committee and the Early Risk Detection Committee. Besides, a Working Group for Early Detection of Risk is formed within the company. This group holds regular meetings and makes plans to take the necessary actions by revising the existing and possible risks. The notes of the meetings are shared with the members of the Early Risk Detection Committee and recorded by a separate meeting minute.*

#### 5.5. Strategic Targets of the Company

*The Board of Directors of the Company determines the Company strategies by making long and short-term plans. In these plans, the markets assessment is performed necessary investments and other requirements within this scope are determined and the decisions are taken by discussion about resources to be allocated for realizing them.*

*The long-term plans of the Company are made within first six-month period of each year in a way to involve five-year periods so as to include previous five-year trends.*

*The short-term plans are made for year (budget), monitored monthly and revised four times within the year.*

*Budget targets of the Company serve an important role in determination of Company performance.*

## İZOCAM TİCARET VE SANAYİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

### SECTION V - BOARD OF DIRECTORS

#### 5.6. Financial Rights

*It was submitted "Wage Policy for Board Members and Top Executives" consisting of all kind of rights, interest and wages provided to Board Members and top executives and criteria used to determine them and wage system principles to our shareholders on our website via "the Information Document" published before three weeks from the Ordinary General Assembly meeting dated 21.03.2014 and it was started to apply following the General Assembly meeting.*

*Total payments made in frame of the Wage Policy for the Board Members and the Top Executives are assessed every year by the Corporate Management Committee and Board of Directors. In our financial statements, the payments made to the Board Members and the Top Executives are disclosed to public in parallel with the general applications. There are no any operations causing to conflict of interest such as lending, making loan available, giving a guarantee in favour of the Board Members or managers by the Company,*

*"Expenses of the Board Members due to contributions to the Company (expenses such as transport, telephone, insurance, etc.) can be covered by the Company.*

*The fixed wage is determined every year for the Independent Board Members during the General Assembly meeting and should not be used the payment plans based on performance for wage of the Independent Board Members.*

*Wages of the Top Executives consist of two components as fixed and based on performance.*

*Fixed wages of the Top Executives are determined according to the legal obligations in consideration of macro-economic data in the market, applicable wage policies in the market, the long-term targets and positions of persons.*

*Premiums of the Top Executives are also calculated according to premium base, the company performance and individual performance. The information about the criteria is summarized below:*

- *Premium Base: The Premium Base is updated at beginning of every year, it varies according to positions of the executives and work volume.*
- *Company Performance: The Company performance is achieved with measurement of financial, customers, employees, technology and corporate capability targets given to the Company at beginning of every year. While it is specified the Company targets, it is considered importantly sustainable success, more improvement than previous years.*
- *Individual Performance: On determination of the individual performance, it is considered the realization situation of the individual targets in parallel with the Company performance as well as company targets.*

*The amounts determined according to the above-mentioned principles and paid to the Board Members and the Top Executives within the year are in the activity report and are included to agenda of the Ordinary General Assembly meeting in 2015 and the shareholders will be informed.*

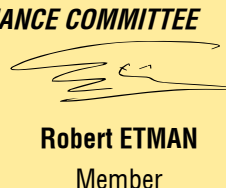
*It was not given any debt to any Board Member within the year and not made loan available on behalf of him/her or on behalf of a third person, not given a guarantee in favour of him/her such as surety, however, the said persons had no such relations with the Company in previous periods.*



**Pol ZAZADZE**  
Chairman



**Arnaud MOISSET**  
Member



**Robert ETMAN**  
Member



**Doruk ÖZCAN**  
Member

#### CORPORATE GOVERNANCE COMMITTEE



## INDEPENDENT AUDITOR'S REPORT RELATED WITH ANNUAL ACTIVITY REPORT OF THE BOARD OF DIRECTORS

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

Report Related With The Audit Of The Annual Activity Report Of The Board of Directors, Conducted Within The Framework Of Independent Audit Standards

*We have audited the annual activity report related with the accounting year closed on 31 December 2014 of İzocam Ticaret ve Sanayi Anonim Şirketi ("Company").*

### Board of Directors' Responsibility for the Annual Activity Report

*Company management is responsible for the preparation of the financial statements in a way in keeping with the financial statements and reflecting the truth in accordance with the article 514 of Turkish Commercial Code ("TCC") number 6102 and the terms of "Communique on Financial Reporting Standards in Capital Market Board" number II-14.1 ("Communique") of Capital Market Board ("CMB"), and for the internal control considered necessary by the management in order to ensure the preparation of an activity report in this quality.*

### Independent Auditor's Responsibility

*Basing on the audit we conducted pursuant to article 397 of TCC and Communique, our responsibility is to express an opinion about whether the financial data contained in this activity report is in keeping with the financial statements, which are the subjects of independent auditor's report dated 10 February 2015, and reflects the truth.*

*The independent audit we conducted has been carried out in accordance with Independent Audit Standards ("IAS") which is a part of Turkish Auditing Standards published by Public Oversight, Accounting and Auditing Standards Authority. These standards require compliance with ethical requirements and conducting the independent audit by designing it so as to obtain reasonable guarantee whether the financial data contained in activity report is in keeping with the financial statements and reflecting the truth. Independent audit involves performing procedures to obtain audit evidence about historical financial data. The selection of these procedures depends upon the professional judgment of the auditor. We believe that the audit evidence we have obtained during the independent audit process is sufficient and appropriate to provide a basis for our audit opinion.*

### Opinion

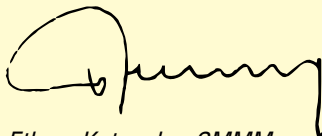
*In our opinion, the financial data contained in the annual report of the Board of Directors is in keeping with the audited financial statements and reflects the truth in all its essential parts.*

### Other Regulatory Obligations

*In accordance with Clause 3 of Article 402 of the Turkish Commercial Code ("TCC") number 6102; within the framework of IAS 570 "Going Concern", no significant matter has come to our attention that causes us to believe that the Company shall not be able to continue its activities in a predictable future.*

*Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi*

*A member firm of Ernst & Young Global Limited*



Ethem Kutucular, SMMM  
Partner

10 February 2015 İstanbul, Turkey

## INDEPENDENT AUDITOR’S REPORT RELATED WITH FINANCIAL RESULTS

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

*We have audited the accompanying statement of financial position of İzocam Ticaret ve Sanayi Anonim Şirketi (“the Company”), as at 31 December 2014 and the related statement of profit or loss and other 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 explanatory notes.*

### Management’s responsibility for the financial statements

*Company’s management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) of Turkey and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error and/or fraud.*

### Independent auditors’ responsibility

*Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by the POA, which is a part of Auditing Standards of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.*

*Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company’s internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company’s management, as well as evaluating the overall presentation of the financial statements.*

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

### Opinion

*In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of İzocam Ticaret ve Sanayi Anonim Şirketi as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.*

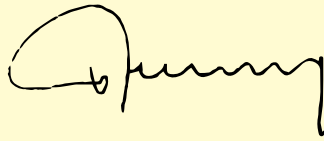
## INDEPENDENT AUDITOR’S REPORT RELATED WITH FINANCIAL RESULTS (Continued)

### Reports on independent auditor’s responsibilities arising from other regulatory requirements

- 1) *Auditors report on Risk Management System and Committee prepared in accordance with subparagraph 4, Article 378 of Turkish Commercial Code no. 6102 (“TCC”) is submitted to the Board of Directors of the Company on 10 February 2015.*
- 2) *In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period 1 January —31 December 2014 and financial statements are not in compliance with the code and provisions of the Company’s articles of association in relation to financial reporting.*
- 3) *In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.*

*Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi*

*A member firm of Ernst & Young Global Limited*



*Ethem Kutucular, SMMM  
Partner*

*Istanbul, 10 February 2015*

**İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ**  
**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS**  
**AND NOTES AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014**

# İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

Altayçeşme Mah. Öz Sok. No:19 Kat: 3-5-6, Maltepe - İSTANBUL

## STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

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

			Audited Restated (*)
	Note	Current period 31 December 2014	Prior Period 31 December 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	38.840.818	6.737.578
Trade Receivables	7	95.509.532	87.067.118
Due From Related Parties	4	578.256	414.145
Due From Third Parties		94.931.276	86.652.973
Inventories	9	25.002.369	23.230.162
Prepaid Expenses	16	704.391	1.454.616
Other Current Assets	18	2.629.762	1.587.066
<b>SUBTOTAL</b>		<b>162.686.872</b>	<b>120.076.540</b>
Assets Classified As Held for Sale	10	-	1.995.421
<b>TOTAL CURRENT ASSETS</b>		<b>162.686.872</b>	<b>122.071.961</b>
<b>Non-Current Assets</b>			
Other Receivables	8	94.507	17.241
Due From Third Parties		94.507	17.241
Property, Plant and Equipment	11	89.521.397	92.816.398
Intangible Assets	12	43.963	69.226
Other Intangible Assets		43.963	69.226
Prepaid Expenses	16	83.090	42.462
Other Non-Current Assets	18	14.597	13.896
<b>TOTAL NON-CURRENT ASSETS</b>		<b>89.757.554</b>	<b>92.959.223</b>
<b>TOTAL ASSETS</b>		<b>252.444.426</b>	<b>215.031.184</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	6	16.870.466	22.022.085
Trade Payables	7	23.501.584	23.208.306
Due To Related Parties	4	382.628	322.247
Third Party Payables		23.118.956	22.886.059

# İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

Altayçeşme Mah. Öz Sok. No:19 Kat: 3-5-6, Maltepe - İSTANBUL

## STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

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

		Audited Restated (*)	
	Note	Current period 31 December 2014	Prior Period 31 December 2013
Employee Benefit Obligations	15	2.671.009	2.167.929
Other Payables	8	14.010	5.540
Third Party Payables		14.010	5.540
Deferred Income	17	7.721.212	4.910.216
Current Tax Liability	27	1.328.736	1.800.812
Short Term Provisions		2.779.379	2.270.893
Provision For Short Term Employee Benefits	13	2.654.733	2.171.102
Other Short-Term Provisions	13	124.646	99.791
Other Current Liabilities	18	1.772.136	1.171.288
<b>TOTAL CURRENT LIABILITIES</b>		<b>56.658.532</b>	<b>57.557.069</b>
<b>Non-Current Liabilities</b>			
Long Term Provisions	13	9.241.046	8.560.523
Provision For Long Term Employee Benefits		9.241.046	8.560.523
Deferred Tax Liabilities	27	734.774	633.355
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9.975.820</b>	<b>9.193.878</b>
<b>EQUITY</b>			
Paid-in Capital	19	24.534.143	24.534.143
Adjustment on Capital	19	25.856.460	25.856.460
Share Premiums	19	1.092	1.092
Other Comprehensive Income / Expense Not to be Reclassified to Profit or Losses Revaluation and Remeasurement Profit / (Losses)		(3.311.111)	(3.346.848)
Restricted Reserves On Retained Earnings	19	35.730.705	32.510.225
Retained Earnings		35.293.660	41.705.860
Net Profit For The Period		67.705.125	27.019.305
<b>TOTAL EQUITY</b>		<b>185.810.074</b>	<b>148.280.237</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>252.444.426</b>	<b>215.031.184</b>

(\*) See note 2.2 for the effect of restatement.



# İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

Altayçeşme Mah. Öz Sok. No:19 Kat: 3-5-6, Maltepe - İSTANBUL

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

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

		Audited	Audited
	Note	Current Period January 1 – December 31, 2014	Prior Period January 1 – December 31, 2013
Revenues	20	362.921.190	339.116.356
Cost of Sales (-)	20	(276.517.358)	(256.270.142)
<b>GROSS PROFIT</b>		<b>86.403.832</b>	<b>82.846.214</b>
Marketing, Sales And Distribution Expenses (-)	21	(37.784.393)	(38.264.784)
Administrative Expenses (-)	22	(13.263.144)	(12.494.661)
Other Operating Income	24	8.205.199	5.037.926
Other Operating Expense (-)	24	(1.012.613)	(338.854)
<b>OPERATING PROFIT</b>		<b>42.548.881</b>	<b>36.785.841</b>
Income From Investment Activities	25	42.913.655	448.509
Expense From Investment Activities (-)	25	-	(52.653)
<b>OPERATING PROFIT BEFORE FINANCE COSTS</b>		<b>85.462.536</b>	<b>37.181.697</b>
Finance Income	26	1.428.168	38.426
Finance Costs (-)	26	(2.225.615)	(3.233.223)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>84.665.089</b>	<b>33.986.900</b>
<b>Tax Income/(Expense) From Continuing Operations</b>		<b>(16.959.964)</b>	<b>(6.967.595)</b>
Current Tax Income/(Expense)	27	(16.867.479)	(6.527.015)
Deferred Tax Income/(Expense)	27	(92.485)	(440.580)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>67.705.125</b>	<b>27.019.305</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>67.705.125</b>	<b>27.019.305</b>
<b>Earnings Per Share</b>	28	0,027	0,011
Earnings Per Share From Continuing Operations			
<b>Diluted Earnings Per Share</b>		0,027	0,011
Diluted Earnings Per Share From Continuing Operations			
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items Not to Be Classified To Profit Or Loss</b>			
Remeasurement Of Defined Benefit Plans	13	44.671	(646.769)
Deferred Tax Effect Of Remeasurement Of Defined Benefit	27	(8.934)	129.353
<b>OTHER COMPREHENSIVE INCOME</b>		<b>35.737</b>	<b>(517.416)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>67.740.862</b>	<b>26.501.889</b>

STATEMENT OF CHANGES IN EQUITY FOR  
THE YEAR ENDED DECEMBER 31, 2014

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

	Retained Earnings								
	Note	Paid-in Capital	Adjustment	Paylara İhraç Primler	Items not to be reclassified to profit or loss	Restricted Reserves	Total Equity		
January 1, 2013		24.534.143	25.856.460	1.092	(2.829.432)	29.982.894	44.991.406	25.741.785	148.278.348
Transfers		-	-	-	-	2.527.331	23.214.454	(25.741.785)	-
Dividends		-	-	-	-	-	(26.500.000)	-	(26.500.000)
Total comprehensive income		-	-	-	(517.416)	-	-	27.019.305	26.501.889
Other comprehensive income		-	-	-	(517.416)	-	-	-	(517.416)
Net Profit for the period		-	-	-	-	-	-	27.019.305	27.019.305
December 31, 2013		24.534.143	25.856.460	1.092	(3.346.848)	32.510.225	41.705.860	27.019.305	148.280.237
January 1, 2014		24.534.143	25.856.460	1.092	(3.346.848)	32.510.225	41.705.860	27.019.305	148.280.237
Transfers		-	-	-	-	3.220.480	23.798.825	(27.019.305)	-
Dividends	19	-	-	-	-	-	(30.211.025)	-	(30.211.025)
Total comprehensive income		-	-	-	35.737	-	-	67.705.125	67.740.862
Other comprehensive income		-	-	-	35.737	-	-	-	35.737
Net Profit for the period		-	-	-	-	-	-	67.705.125	67.705.125
December 31, 2014		24.534.143	25.856.460	1.092	(3.311.111)	35.730.705	35.293.660	67.705.125	185.810.074

# İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

Altayçeşme Mah. Öz Sok. No:19 Kat: 3-5-6, Maltepe - İSTANBUL

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

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

		Audited Current Period	Audited Prior Period
	Note	January 1 – Dec. 31, 2014	January 1 – Dec. 31, 2013
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>31.007.386</b>	<b>32.703.927</b>
Net Profit		67.705.125	27.019.305
<b>Adjustments for reconciliation of profit for the period</b>		<b>(11.242.321)</b>	<b>21.450.556</b>
- Adjustment for depreciation and amortization	23	11.278.688	11.268.074
- Adjustment for provision for employee termination benefits	13	569.293	503.197
- Adjustment for provision for unused vacation pay liability	13	197.018	724.847
- Adjustment for provision of doubtful receivables, net	7	598.367	93.106
- Adjustment for provisions	13	6.990.023	5.045.576
- Adjustment for interest and foreign exchange expense		2.244.644	3.233.223
- Adjustment for interest and foreign exchange income		(7.687.832)	(3.438.616)
- Adjustment for increase on blockage accounts	5	521.169	(2.550.590)
- Adjustment for tax expense		16.959.964	6.967.595
- Adjustment for (gains)/losses on sale of property, plant and equipment, net	25	(42.913.655)	(395.856)
<b>Changes in working capital</b>		<b>(25.455.418)</b>	<b>(15.765.934)</b>
- Adjustment for increase on stocks		(557.749)	(837.962)
- Adjustment for increase on trade receivables		(2.810.146)	(4.885.831)
- Adjustment for increase/(decrease) on trade payables		293.278	(500.223)
- Adjustment for increase on prepaid expenses		709.597	3.262.381
- Adjustment for other (increase)/decrease in working capital		1.392.399	506.492
Tax payments		(17.339.555)	(6.647.152)
Provisions paid	13	(6.481.537)	(5.223.235)
Employee severance indemnity paid	13	(661.705)	(1.440.404)

# İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

Altayçeşme Mah. Öz Sok. No:19 Kat: 3-5-6, Maltepe - İSTANBUL

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

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

		Audited Current Period	Audited Prior Period
	Note	January 1 – Dec. 31, 2014	January 1 – Dec. 31, 2013
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>37.156.527</b>	<b>(14.785.689)</b>
Cash outflows from the purchase of property, plant and equipment and intangible assets	11	(9.173.049)	(15.478.306)
Cash inflows from the sale of property, plant and equipment and intangible assets		46.329.576	692.617
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(35.632.129)</b>	<b>(18.312.385)</b>
Increase/(decrease) in bank borrowings and other financial liabilities		(4.420.994)	7.545.702
Interest paid		(1.543.328)	(2.796.703)
Dividends paid	19	(30.211.025)	(26.500.000)
Interest received		543.218	3.438.616
<b>Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)</b>		<b>32.531.784</b>	<b>(394.147)</b>
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>		<b>1.178.824</b>	<b>1.572.971</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D)</b>	5	<b>33.710.608</b>	<b>1.178.824</b>

# İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

Altayçeşme Mah. Öz Sok. No:19 Kat: 3-5-6, Maltepe - İSTANBUL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

### NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

*Izocam Ticaret ve Sanayi Anonim Şirketi ("Izocam" or the "Company") was established in 1965 in order to operate in production, importation and exportation of glasswool, stonewool, mineral wool, glass fiber, expanded and extruded polystyrenes, elastomeric rubber, polyethylene, insulated and noninsulated roof and front panels, partition and mezzanine.*

*As at December 31, 2014, Izocam Holding Anonim Şirketi's ("Izocam Holding") share in the Company is to 95,07 percent through acquisition of 1.501.330.396 shares not listed in Borsa İstanbul Anonim Şirketi ("BİST") from Koç Group on November 29, 2006 and on July 10, 2007 representing 61,16 percent of paid-in capital of Izocam together with the collection of 831.117.304 shares traded on BİST which represents 33,91 percent of paid-in capital of Izocam. Izocam Holding is a joint venture of Compagnie de Saint Gobain Group and Alghanim Group by with an equal ownership of 50 percent by both parties.*

*The Company conducts a portion of its operations with related parties of Saint Gobain Group and Alghanim Group companies. The Company has related parties acting as both customers and suppliers (Note 4). The Company is registered at Capital Market Board of Turkey ("CMB") and its shares are listed in BİST since April 15, 1981. As at December 31, 2014, 38,84 percent of the shares are publicly traded at BİST (December 31, 2013: 38,84%).*

*As of December 31, 2014, total number of employees of the Company is an average basis 435 (December 31, 2013: 428) including 201 white collar employees (December 31, 2013: 189) and 234 blue collar employees (December 31, 2013: 239).*

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

*Altayçeşme Mahallesi Öz Sokak,*

*No: 19 Kat: 3, 5, 6*

*34843 Maltepe / İstanbul*

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

### **NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

#### **2.1 Basis of Presentation**

##### **a) Statement of compliance**

*Accompanying financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("KGK") together with the provisions of accordance with to CMB's "Principles of Financial Reporting in Capital Market" dated 13 June 2013 and published in the Official Gazette numbered 28676 Series II. No.14.1. TAS consist of Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and related addendums and interpretations to these standards.*

*Company's statement of financial position as at December 31, 2014 and statement of profit or loss and other comprehensive income for period ended was authorized for issue by the Board of Directors of the Company on 10 February 2015. General assembly and legal authorities have the right to change the accompanying financial statements upon publication.*

##### **b) Basis of presentation of financial statements**

*Accompanying financial statements of the Company are prepared in accordance with CMB's "Announcement on Format of Financial Statements and Footnotes" dated June 7, 2013.*

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

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

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

##### **c) 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.*

##### **Additional paragraph for convenience translation to English**

*The effect of differences between the Financial Reporting Standards published by the Capital Market Board in Turkey and accounting principles generally accepted in countries in which the financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the financial statements. The differences with IFRS related to the application of inflation accounting which was ceased one year later in IFRS, and the presentation of the basic financial statements and the notes to them. Accordingly, the financial statements are not intended to present the financial position and financial performance of the Company in accordance with the accounting principles generally accepted in such countries and IFRS.*



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.2 Comparative information**

Financial statements prepared as at and for the year ended December 31, 2014 are presented comparatively with prior period as at and for the year ended December 31, 2013. If necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative information is reclassified and related differences are explained in related notes.

In accordance with the amendments to TAS 19 – short term benefits provided to employees comprise the ones which are expected to be settled wholly in twelve months after the end of the reporting period. This application is effective for annual periods beginning on or after 1 January 2013. Regarding this issue, since the Company's expectation is not to settle the whole unused vacation provision within 12 months after the end of the reporting period, and unused vacation provision should be reclassified from short term provisions for employee benefits to long term provisions for employee benefits, previously issued financial statements for the year ended December 31, 2013 should be restated. Within this context, the Company reclassified short term portion of unused vacation pay to long term provisions for employee benefits amounting to TL 135.249.

Based on the decision taken on June 7, 2013 by the CMB at its meeting numbered 20/670, a new set of illustrative financial statements and guidance to it has been issued effective from the interim periods ended after December 31, 2013 which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes have been made at the Company's financial statements. The reclassifications that are made at the Company's statement of financial position as at December 31, 2013 and statement of comprehensive income for the period are as follows:

- Advances given amounting to TL 1.220.113 presented under trade receivable on the statement of financial position as of December 31, 2013, were reclassified.
- Advances given for fixed assets amounting to TL 42.462 presented under short term prepaid expenses on the statement of financial position as of December 31, 2013, were reclassified.
- Advances taken amounting to 4.910.216 presented under trade payables on the statement of financial position as of December 31, 2013, was reclassified to deferred income.
- VAT payable amounting to TL 872.165 presented under payable for employee benefits on the statement of financial position as of December 31, 2013, was reclassified to other short term liabilities.

**2.3 Changes in accounting policies**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements. As explained in Note 2.2, certain comparative amounts have been reclassified or re-presented, either as a result of a change in accounting policy or announcement on format of financial statements and footnotes regarding the presentation during the current year.

**a) Foreign currency**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.3 Changes in accounting policies (continued)**

**b) Financial instruments**

**Non-derivative financial assets**

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

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

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

*The Company classifies non-derivative financial asset into: 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 due from related parties.*

*Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.*

**Non-derivative financial liabilities**

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

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

*The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are 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, short term liabilities and due to related parties.*

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.3 Changes in accounting policies (Continued)**

**c) Property, plant and equipment**

*The costs of tangible assets purchased before 1 January 2005 are restated for the effects of inflation current at December 31, 2004 less accumulated depreciation and impairment losses. The costs of tangible assets purchased after December 31, 2004 are carried at cost less accumulated depreciation and impairment losses (Note 11).*

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

- The cost of materials and direct labor;*
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;*
- When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and*

*When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.*

*Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.*

**Subsequent expenditures**

*Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditures will flow to the Company. Ongoing maintenance and repair expenses are recognized in profit or loss as incurred.*

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.3 Changes in accounting policies (Continued)****c) Property, plant and equipment (Continued)****Depreciation**

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

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives and is generally recomputed in profit or loss unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings and land improvements	5-50 years
Machinery and equipment	3-25 years
Furniture and fixtures	2-15 years
Leasehold improvements	5-10 years

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

**d) Intangible assets**

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

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

**Amortization**

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognized in profit or loss.

The estimated useful lives are as follows:

Rights	3-6 years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.3 Changes in accounting policies (Continued)****e) Leases****Leased Assets**

Assets held by the Company under leases which transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

**Lease payments**

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to cash paid during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability

Payments made under operating leases are recognized in profit or loss on straight-line basis over the term of the lease.

**f) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the monthly weighted average, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale (Note 9). The cost of inventories is determined on a monthly moving weighted average basis.

**g) Provisions, contingent liabilities and contingent assets**

A provision is recognized in the accompanying financial statements if as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities is disclosed in the notes to the financial statements (Note 14).

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.3 Changes in accounting policies (Continued)****h) Impairment of assets****Non-derivative financial assets**

*Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.*

*Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.*

*The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.*

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

*The Company recognizes impairment for its certain receivables for which the collection of such receivables may become doubtful in nature as a result of several factors. In addition to these doubtful receivables a provision is recognized regarding receivables that are aged and not collected; in litigation or not paid balances for which a payment is requested via writing notice or filed a formal notification. Subsequent to recognition of provision a recovery these receivables in full or partially has been reversed from provision and income was recognized in profit or loss. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.*

*Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.*

*When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.*



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.3 Changes in accounting policies (Continued)****h) Impairment of assets (Continued)****Non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets other than inventories and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

For assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**i) Employee benefits**

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

The Company makes compulsory premium payments to the Social Security Institution and does not have any other funding requirements. These premium payments are accrued at the financials as they incur.

**j) Revenue**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer recover of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The Company has been using the dispatch note during the departure of the goods has been systematically issuing the sales invoices based on the dispatch notes accordingly the revenue has been recognized in profit or loss through the system utilized within the Company. Revenue is measured net of returns, trade discounts and volume rebates.

When the sales arrangement effectively constitutes a financing cost, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on accrual basis (Note 24).

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.3 Changes in accounting policies (Continued)****k) Government grants**

Government grants measured at fair value including the non-cash government grants are recognized in the financial statements when there is a reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grants. Government grants are presented on the financial statements even when they comprise cash or a deduction of liabilities to the government.

**l) Finance income and expenses**

Finance income is comprised interest income on time deposit. Foreign exchange gain and losses arising from financing activities are presented on a net basis. Finance expenses are comprised interest expenses of loans, factoring expenses and letter of guarantee commissions. Borrowing costs that are not directly attributable to acquisition, construction or production of qualifying assets are recognized in profit or loss.

**m) Income taxes**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year (Note 27).

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates based on the laws that have substantively enacted at the reporting date. Deferred tax are recognized for timing differences between the financial purposes and taxation purposes, depreciation and amortization effects over property, plant and equipments and intangible assets.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets when they are related to the income taxes levied by the same tax authority on the same taxable entity that intend to settle current tax liabilities and assets on a net basis or tax assets and liabilities will be realized simultaneously (Note 27).

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.3 Changes in accounting policies (Continued)****n) Assets held for sale**

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held for sale, property plant and equipments and intangible assets are no longer amortized or depreciated.

**o) Earnings per share**

Earnings per share disclosed in the statutory profit or loss and other comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period concerned (Note 28).

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

**p) Subsequent events**

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

**r) Expenses**

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

**s) Paid-in capital and dividends**

Ordinary shares are classified as paid-in capital (Note 19). Additional costs that are directly attributable to the issuance of ordinary shares are recognized as decrease in equity, net of tax. Dividends distributed on ordinary shares are offset with retained earnings in the period in which they are declared.

**t) 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 TAS 24 – Related party disclosures (Note 4).

**NOTES TO THE FINANCIAL STATEMENTS  
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Amounts expressed in Turkish Lira ("TL") unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.3 Changes in accounting policies (Continued)****u) Statement Cash flows**

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

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

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

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

**v) Changes in Accounting Estimates and Errors**

*Effect of changes in accounting estimates has been recognized prospectively in the current and future period of the estimate changes. Effect of accounting errors has been corrected respectively.*

**2.4 Use of estimates and judgments**

*In preparing these financial statements management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.*

*Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions estimates are recognized prospectively.*

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

- Note 2.3c *Impairment lives of property, plant and equipment and tangible assets*
- Note 2.3d *Useful lives of intangible assets*
- Note 7 *Impairment losses on account receivable*
- Note 9 *Impairment losses on inventories*
- Note 13a, c *Provisions for employee benefits*
- Note 13b *Other short term provisions*
- Note 27 *Income tax*
- Note 29 *Determination of fair values*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

### NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.5 New and amended standards and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

**The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:**

- TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)
- TFRS Interpretation 21 Levies
- TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets
- TAS 39 Financial Instruments: Recognition and Measurement (Amended) - Novation of Derivatives and Continuation of Hedge Accounting
- TFRS 10 Consolidated Financial Statements (Amendment)

These new and amended standards and interpretations did not have an impact on financial position or performance of the Company.

#### **Standards issued but not yet effective and not early adopted**

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

- TFRS 9 Financial Instruments – Classification and measurement
- TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)
- TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)
- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants
- Annual Improvements to TAS/TFRSs (for the periods 2010-2012 and 2011-2013)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

### NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.5 New and amended standards and interpretations (Continued)

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

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

- *- Annual Improvements (for the periods 2010-2012, 2011-2013 and 2012-2014)*
- *- IFRS 15 Revenue from Contracts with Customers*
- *- IFRS 9 Financial Instruments - Final standard (2014)*
- *- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)*
- *- IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)*
- *- IAS 1: Disclosure Initiative (Amendments to IAS 1)*



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### NOTE 3 – SEGMENT REPORTING

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

### NOTE 4 – RELATED PARTIES

#### a) Due from related parties

As of December 31, 2014 and December 31, 2013 due from related parties comprised the following:

	31 December 2014	31 December 2013
Saint Gobain Weber Yapı Kimyasalları Sanayi Ticaret A.Ş. (*)	304.067	66.761
Saint-Gobain Isover CRIR (*)	151.834	140.893
Saint-Gobain Recherche (*)	61.753	50.296
Saint Gobain İnovatif Malz.ve Aşındırıcı Sanayi ve Ticaret A.Ş.	42.322	24.805
Kuwait Insulating Material MFG CO.	10.850	7.312
Saint-Gobain Isover Ireland (*)	7.430	8.053
Saint-Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*)	-	116.025
	<b>578.256</b>	<b>414.145</b>

#### b) Due to related parties

As at December 31, 2014 and December 31, 2013 due to related parties comprised the following:

	31 December 2014	31 December 2013
Saint Gobain Isover SA (*)	157.666	155.354
Grunzweig Hartman AG (*)	152.441	166.893
Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*)	72.521	-
	<b>382.628</b>	<b>322.247</b>

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

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### NOTE 4 – RELATED PARTIES (Continued)

#### c) Sales to related parties

For the period ended December 31, 2014 and December 31, 2013 significant sales transactions to related parties comprised the following:

	January 1, December 31, 2014	January 1, - December 31, 2013
Saint Gobain İnovatif Malzemeleri ve Aşındırıcı Sanayi ve Ticaret A.Ş. (*)	1.153.522	-
Saint Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret .A.Ş. (*)	542.991	693.995
Saint Gobain Rigips Alçı Sanayi Ve Ticaret A.Ş. (*)	106.461	119.295
Saint Gobain Recherche (*)	34.471	23.230
Kuwait Insulating Material Mfg. Co. (*)	18.171	21.616
Alghanim Industries Office (*)	11.975	-
Saint Gobain Isover Ireland (*)	-	47.688
Saint Gobain Gradevinski Proizvodi D.O.O. (*)	-	161.768
	<b>1.867.591</b>	<b>1.067.592</b>

#### d) Purchases from related parties

For the period ended December 31, 2014 and December 31, 2013 purchases from related parties comprised the following:

	January 1, December 31, 2014	January 1, - December 31, 2013
Saint Gobain Isover (*)	1.270.418	1.256.538
Grunzweig Hartman AG (*)	953.918	934.433
Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*)	251.158	63.522
Saint Gobain Isover SA (*)	144.801	-
Saint Gobain Isover (Almanya) (*)	7.661	-
Saint Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret A.Ş	-	96.501
Saint-Gobain Isover France (*)	-	5.937
Saint-Gobain Isover SA (*)	-	3.960
	<b>2.627.956</b>	<b>2.360.891</b>

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

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### NOTE 4 – RELATED PARTIES (Continued)

#### e) *Remunerations to the top management*

For the period ended December 31, 2014 and December 31, 2013, remunerations to the top management are comprised the following:

Short term benefits	January 1, December 31, 2014	January 1, - December 31, 2013
(Salaries, premiums, housing, company cars, social security, health insurance, vacation pay etc.)	4.112.480	3.140.833
Long term benefits		
(Termination indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	750.712	403.736
	<b>4.863.192</b>	<b>3.544.569</b>

### NOTE 5 – CASH AND CASH EQUIVALENTS

As at December 31, 2014 and December 31, 2013 cash and cash equivalents comprised the following:

	31 December 2014	31 December 2013
Cash at blockage (*)	5.037.585	5.558.754
<b>Banks</b>	<b>33.046.128</b>	<b>831.553</b>
- Demand deposits	315.703	831.553
- Time deposits	32.730.425	-
Cheques at collection (**)	757.105	347.271
	<b>38.840.818</b>	<b>6.737.578</b>

(\*) As of December 31, 2014, cash and cash equivalents consist of cash at blockage amounting to TL 5.037.585 (December 31, 2013: TL 5.558.754). TL 2.784.639 amount of consisted of cash at blockage Direct Borrowing System ("DBS") (December 31, 2013: TL 2.956.233). At March 17, 2010, the Company has started to use Direct Borrowing System ("DBS"), a new method of collection of receivables. In accordance with the arrangements made with various banks, instead of the Company, banks set a credit limit to customers and the collection is performed by the bank. Following the collection, the bank retains the payments received at blockage for one day. As at December 31, 2014 TL 2.252.946 of cash blockage amount mainly comprised of the credit card receivables with a maturity less than 3 months (December 31, 2013: 2.602.521).

(\*\*) Cheques in collection are composed of the cheques which have not been transferred to the company's bank deposits accounts as at December 31, 2014 with a maturity date less than 30 days or before December 31, 2014.

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### NOTE 5 – CASH AND CASH EQUIVALENTS (Continued)

As at December 31, 2014 and December 31 2013, time and demand deposits comprised the following currencies;

	Time Deposit		Demand deposit	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
TL	28.092.625	-	260.590	84.548
US Dollars ("USD")	4.637.800	-	55.113	747.005
European Union Currency ("EURO")	-	-	-	-
	<b>32.730.425</b>	<b>-</b>	<b>315.703</b>	<b>831.553</b>

As of December 31, 2014, the effective interest rates of TL and USD denominated time deposits are 10,35% and 0,81%, 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 period ended December 31, 2014 and December 31, 2013 are comprised the followings:

	January 1, - December 31, 2014	January 1, - December 31, 2013
Cash and cash equivalents	38.840.818	6.737.578
Less: Blockage amounts	(5.037.585)	(5.558.754)
Less: Interest Accruals	(92.625)	-
	<b>33.710.608</b>	<b>1.178.824</b>

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### NOTE 6 – FINANCIAL LIABILITIES

As at December 31, 2014 and December 31, 2013 bank borrowings comprised the followings:

	December 31, 2014	December 31, 2013
<b>Bank borrowings (*)</b>	<b>10.573.423</b>	<b>17.812.552</b>
TL	10.573.423	17.812.552
<b>Factoring loans (**)</b>	<b>6.297.043</b>	<b>4.209.533</b>
USD	5.454.172	3.389.418
Euro	842.871	820.115
	<b>16.870.466</b>	<b>22.022.085</b>

(\*) As of December 31, 2014, all of the outstanding bank borrowings are denominated in TL and the effective interest rate of interest bearing bank borrowings is 6,62%.

(\*\*) Factoring loan agreements are performed as revocable by which the Company undertakes the collection risk and related receivables are shown in gross on the statement of financial condition.

### NOTE 7 – ACCOUNTS RECEIVABLE AND PAYABLE

#### a) Trade receivable

As at December 31, 2014, and December 31, 2013 short-term trade receivables comprised the followings:

	December 31, 2014	December 31, 2013
Accounts receivable	81.307.599	74.396.789
Notes receivable	14.201.933	12.670.329
Doubtful receivables	1.455.078	856.711
Less: Allowance for doubtful receivables	(1.455.078)	(856.711)
	<b>95.509.532</b>	<b>87.067.118</b>

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### NOTE 7 – ACCOUNTS RECEIVABLE AND PAYABLE (Continued)

As at December 31, 2014, TL 578.256 of accounts receivable comprised due from related parties (December 31, 2013: TL 414.145) in which detailed presentation is disclosed in Note 4.

Average collection period of trade receivables is 86 days (December 31, 2013: 87 days) which may change according to the type of the product and the terms of the agreement with the customer.

As at December 31, 2014 and December 31, 2013 maturity profiles of cheques and notes receivables are as follows:

	December 31, 2014	December 31, 2013
0 - 30 days	4.591.740	4.778.059
31 - 60 days	5.716.961	4.168.788
61- 90 days	1.964.568	2.495.477
91 days and over	1.928.664	1.228.005
<b>Total</b>	<b>14.201.933</b>	<b>12.670.329</b>

For the period ended, December 31, 2014 and December 31, 2013 the movement of allowance for doubtful receivables comprised the followings:

	December 31, 2014	December 31, 2013
Beginning balance	856.711	895.847
Provision for the year	598.367	93.106
Write offs	-	(132.242)
<b>Period end</b>	<b>1.455.078</b>	<b>856.711</b>

### b) Trade payables

As at December 31, 2014, trade payables amount to TL 23.501.584 (December 31, 2013: TL 23.208.306) arising from accounts payable to various suppliers and average payment term is 31 days. (December 31, 2013: 33 days).

As at December 31, 2014, TL 382.628 of trade payables comprised due to related parties (December 31, 2013: TL 322.247) for which detailed presentation is disclosed in Note 4.



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### NOTE 8 – OTHER TRADE RECEIVABLES AND PAYABLES

#### a) Other receivables

As at December 31, 2014, long-term receivables comprised deposits given amounting to TL 94.507 (December 31, 2013: TL 17.241).

#### b) Other payables

As at December 31, 2014, short-term other payables amounting to TL 14.010 (December 31, 2013: 5.540 TL) comprised of other miscellaneous payables.

### NOTE 9 – INVENTORIES

As at December 31, 2014, and December 31, 2013 inventories comprised the following:

	December 31, 2014	December 31, 2013
Raw materials and supplies	17.459.925	15.093.482
Finished goods	7.008.464	7.686.932
Trading goods	533.980	449.748
<b>Total</b>	<b>25.002.369</b>	<b>23.230.162</b>

Inventories are accounted at cost. As at December 31, 2014 and December 31, 2013, there is no allowance for impairment on inventories since the cost of inventories are lower than their net realizable value.

### NOTE 10 – ASSETS HELD FOR SALE

As at December 31, 2014, and December 31, 2013 assets held for sale the following:

	December 31, 2014	December 31, 2013
Tangible assets	-	1.995.421
<b>Total</b>	<b>-</b>	<b>1.995.421</b>

As of December 31, 2013, the Company management received a valuation report for factory building, administrative building and land for Tekiz Facilities in Istanbul and these were presented as non-current assets classified as held for sale. TL 237.103 land, TL 66.805 of land improvements and TL 1.691.513 of buildings from these assets held for sale was sold on January 16, 2014 for a total consideration of USD 21,1 million (equals to 46.232.210 TL) in cash.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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### NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

For the period ended December 31, 2014 movement in the property, plant and equipment comprised the following:

Cost	January 1, 2014	Additions	Disposals	Transfers	Dec. 31, 2014
Land	6.004.308	-	-	-	6.004.308
Land improvements	4.470.650	-	-	143.019	4.613.669
Buildings	55.022.693	27.050	-	290.744	55.340.487
Machinery and equipment	196.109.202	113.451	(261.252)	6.380.495	202.341.896
Furniture and fixtures	6.812.140	496.165	(234.647)	1.047.326	8.120.984
Leasehold improvements	1.097.815	1.477	(6.157)	38.764	1.131.899
Construction in progress	1.470.697	9.164.802	(640.797)	(7.900.348)	2.094.354
<b>Total Cost</b>	<b>270.987.505</b>	<b>9.802.945</b>	<b>(1.142.853)</b>	<b>-</b>	<b>279.647.597</b>

Less: Accumulated depreciation	January 1, 2014	Additions	Disposals	Transfers	Dec. 31, 2014
Land improvements	(3.002.978)	(124.440)	-	-	(3.127.418)
Buildings	(18.416.725)	(1.341.780)	-	-	(19.758.505)
Machinery and equipment	(150.743.225)	(10.462.225)	261.252	-	(160.944.198)
Furniture and fixtures	(5.934.649)	(419.386)	234.480	-	(6.119.555)
Leasehold improvements	(73.530)	(109.151)	6.157	-	(176.524)
<b>Total accumulated depreciation</b>	<b>(178.171.107)</b>	<b>(12.456.982)</b>	<b>501.889</b>	<b>-</b>	<b>(190.126.200)</b>
<b>Net book value</b>	<b>92.816.398</b>				

For the period ended December 31, 2014, depreciation expenses amounting to TL 10.973.564 (December 31, 2013: TL 9.903.904) has been recognized under cost of sales, TL 268.960 (December 31, 2013: TL 167.498) has been included under administrative expenses and TL 1.214.458 (December 31, 2013: TL. 1.164.551) has been capitalized on stocks.

As at December 31, 2014 and December 31, 2013, the amount of tangible assets with zero net book value which are still in use and kept in the accounting records is TL 132.713.269 (December 31, 2013: TL 128.287.754).

As of December 31, 2014 and December 31, 2013, there are no assets pledged as collateral.

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### NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Cost	Jan. 1, 2013	Additions	Disposals	Transfers	Classification (*)	Dec. 31, 2013
Land	6.241.411	-	-	-	(237.103)	6.004.308
Land improvements	4.627.353	-	-	-	(156.703)	4.470.650
Buildings	59.768.672	-	(70.024)	1.826.773	(6.502.728)	55.022.693
Machinery and equipment	194.060.888	483.742	(11.311.785)	12.876.357	-	196.109.202
Furniture and fixtures	7.171.296	148.797	(776.461)	268.508	-	6.812.140
Leasehold improvements	72.875	-	-	1.024.940	-	1.097.815
Construction in progress	2.809.129	14.795.046	(136.900)	(15.996.578)	-	1.470.697
<b>Total Cost</b>	<b>274.751.624</b>	<b>15.427.585</b>	<b>(12.295.170)</b>	<b>-</b>	<b>(6.896.534)</b>	<b>270.987.505</b>

Less: Accumulated depreciation	Jan. 1, 2013	Additions	Disposals	Transfers	Classification (*)	Dec. 31, 2013
Land improvements	(2.968.346)	(124.530)	-	-	89.898	(3.002.978)
Buildings	(21.892.222)	(1.387.303)	51.584	-	4.811.214	(18.416.725)
Machinery and equipment	(152.503.556)	(9.417.023)	11.177.354	-	-	(150.743.225)
Furniture and fixtures	(6.412.243)	(291.877)	769.471	-	-	(5.934.649)
Leasehold improvements	(58.310)	(15.220)	-	-	-	(73.530)
<b>Total accumulated depreciation</b>	<b>(183.834.677)</b>	<b>(11.235.953)</b>	<b>11.998.409</b>	<b>-</b>	<b>4.901.112</b>	<b>(178.171.107)</b>
<b>Net book value</b>	<b>90.916.947</b>				<b>1.995.421</b>	<b>92.816.398</b>

(\*) See Note 10 for details.

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### NOTE 12 – INTANGIBLE ASSETS

For the period ended December 31, 2014 movement in the intangible assets comprised the following:

Cost	January 1, 2014	Additions	December 31, 2014
Software rights	848.933	10.901	859.834
<b>Total Cost</b>	<b>848.933</b>	<b>10.901</b>	<b>859.834</b>
<b>Less: Accumulated amortization</b>			
Software rights	(779.707)	(36.164)	(815.871)
<b>Total accumulated amortization</b>	<b>(779.707)</b>	<b>(36.164)</b>	<b>(815.871)</b>
<b>Net book value</b>	<b>69.226</b>		<b>43.963</b>

As at December 31, 2013, movement in the intangible assets comprised the following:

Cost	January 1, 2013	Additions	December 31, 2013
Software rights	798.212	50.721	848.933
<b>Total Cos</b>	<b>798.212</b>	<b>50.721</b>	<b>848.933</b>
<b>Less: Accumulated amortization</b>			
Software rights	(747.586)	(32.121)	(779.707)
<b>Total accumulated amortization</b>	<b>(747.586)</b>	<b>(32.121)</b>	<b>(779.707)</b>
<b>Net book value</b>	<b>50.626</b>		<b>69.226</b>

At December 31, 2014, amortization expenses amounting to TL 36.164 (December 31, 2013: TL 32.121) have been included in administrative expenses. As at December 31, 2014 and December 31, 2013, the amount of intangible assets with zero net book value which are still in use and kept in the accounting records is TL 792.457 (December 31, 2013: TL 708.674).

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### NOTE 13 – PROVISIONS

#### a) Short term provisions for employee benefits

At December 31, 2014 and December 31, 2013 short term provisions for employee benefits the following:

	December 31, 2014	December 31, 2013
Provisions for bonuses	2.654.733	2.171.102
<b>Total</b>	<b>2.654.733</b>	<b>2.171.102</b>

#### b) Other short term provisions

At December 31, 2014, and December 31, 2013 other short-term provisions comprised the following:

	December 31, 2014	December 31, 2013
Miscellaneous expense provisions	98.774	73.919
Provisions for litigation	25.872	25.872
<b>Total</b>	<b>124.646</b>	<b>99.791</b>

For period ended December 31, 2014 the movement of other short term provisions is as follows:

	1 Jan. 2014	Additions	Payments	Reversal	31 Dec. 2014
Provisions for personnel premium (*)	2.171.102	2.654.733	(2.171.102)	-	2.654.733
Miscellaneous provisions for expenses (**)	73.919	4.361.501	(4.310.435)	(26.211)	98.774
Provisions for litigation	25.872	-	-	-	25.872
	<b>2.270.893</b>	<b>7.016.234</b>	<b>(6.481.537)</b>	<b>(26.211)</b>	<b>2.779.379</b>

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

	1 Jan. 2013	Additions	Payments	Reversal	31 Dec. 2013
Provisions for personnel premium (*)	2.199.286	5.117.206	(5.145.391)	-	2.171.101
Miscellaneous provisions for expenses (**)	223.394	47.708	(77.844)	(119.338)	73.919
Provisions for litigations	25.872	-	-	-	25.872
	<b>2.448.552</b>	<b>5.164.914</b>	<b>(5.223.235)</b>	<b>(119.338)</b>	<b>2.270.893</b>

(\*) Provisions for employee bonuses are the amount that determined according to decision over performance criteria by Izocam's Board of Directors. Related amount were paid in January, 2015 (January 2014).

(\*\*) Miscellaneous provisions are comprised of DBS provisions.

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### NOTE 13 – PROVISIONS (Continued)

#### c) Long term provision for employee benefits

For period ended December 31, 2014. Provision for employee benefits the movement is as follows:

	December 31, 2014	December 31, 2013
Provision for severance payments	6.689.384	6.205.879
Provision for unused vacation pay liability	2.551.662	2.354.644
<b>Total</b>	<b>9.241.046</b>	<b>8.560.523</b>

Provision for employee severance indemnity has been set as follows:

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay who retired by gaining right to receive according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered with 60th article that has been changed. The amount payable consists of one month's salary limited to a maximum of TL 3.438,22 for each period of service as at December 31, 2014 (December 31, 2013: TL 3.254,44). Maximum salary is TL 3.541,37 as of January 1, 2015.

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31, 2014, 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 provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 6,00% and a discount rate of 10,00%, resulting in a real discount rate of approximately 3,77% (December 31, 2012: 3,50% real discount rate). The anticipated rate of forfeitures is considered. As the maximum liability is revised semiannually, the maximum amount of TL 3.438,22 effective from July 1, 2014 has been taken into consideration in calculation of provision for employment termination benefits. Movement of retirement pay provision for the periods ended December 31 is as follows:

	December 31, 2014	December 31, 2013
Opening balance	6.205.879	6.059.796
Interest cost	620.588	436.520
Cost of services	569.293	503.197
Payments made during the period	(661.705)	(1.440.404)
Actuarial gain/(loss)	(44.671)	646.770
<b>Total</b>	<b>6.689.384</b>	<b>6.205.879</b>



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### NOTE 13 – PROVISIONS (Continued)

Actuarial losses arise from the changes in interest rates and changes in expectations about the salary increases. For the period ended December 31, 2014 interest cost portion is recognized as finance expense whereas cost of services are recognized as general administrative expenses and actuarial losses are recognized in other comprehensive income.

The movement of unused vacation pay liability during the period is as follows:

	December 31, 2014	December 31, 2013
Opening balance	2.354.644	1.629.797
Additional provision during the period	793.744	1.115.981
Reversal	(596.726)	(391.134)
<b>Total</b>	<b>2.551.662</b>	<b>2.354.644</b>

### NOTE 14 – COMMITMENTS

According to the decision of CMB on 29 December 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party's debts. The commitments given; for companies other than publicly owned associations and financial institutions;

- i) For their own corporate identities
- ii) In favor of fully consolidated associations
- iii) In favor of 3rd parties to continue their operations will not be limited.

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

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### NOTE 14 – COMMITMENTS (Continued)

As at December 31, 2014 and December 31, 2013 commitments given are as follows:

	Dec. 31, 2014	Dec. 31, 2013
A. Commitments given in the name of own legal Entity	14.351.871	12.901.417
B. Commitments given in favor of full consolidated Subsidiaries	--	--
C. Commitments given to guarantee the debts of third parties to continue their operations	--	--
D. Other commitments given;	--	--
- in favor of parent company	--	--
- in favor of group companies other than mentioned in bullets B and C	--	--
- in favor of third parties other than mentioned in bullets C	--	--
<b>Total</b>	<b>14.351.871</b>	<b>12.901.417</b>

As of December 31, 2014 and December 31, 2013 the Company has letter of guarantees obtained from banks and given to Custom Offices, foreign and domestic suppliers and to banks and notes given as collaterals.

As of December 31, 2014 and December 31, 2013, non-cancellable operating lease rentals payable are as follows:

	December 31, 2014	December 31, 2013
1 <sup>st</sup> year	643.627	658.951
2 <sup>nd</sup> year	96.764	658.951
3 <sup>rd</sup> year	9.774	89.637
	<b>750.165</b>	<b>1.407.539</b>

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### NOT 15 – EMPLOYEE BENEFIT OBLIGATION

As at December 31, 2014 and December 31, 2013 employee benefits comprised the following:

	December 31, 2014	December 31, 2013
Social security premium payable	1.988.261	1.569.316
Withholding taxes and duties	547.060	482.127
Individual pension plan contribution payable	118.254	106.452
Due to personnel	17.434	10.034
<b>Total</b>	<b>2.671.009</b>	<b>2.167.929</b>

### NOTE 16 – PREPAID EXPENSES

As at December 31, 2014 and December 31, 2013 short term prepaid expenses comprised the following:

	December 31, 2014	December 31, 2013
Prepaid expenses (*)	448.047	104.353
Advances given for inventory	256.344	1.350.263
<b>Total</b>	<b>704.391</b>	<b>1.454.616</b>

As at December 31, 2014 and December 31, 2013 long term prepaid expenses comprised the following:

	December 31, 2014	December 31, 2013
Advances given for fixed assets	83.090	42.462
<b>Total</b>	<b>83.090</b>	<b>42.462</b>

(\*) As of December 31, 2014 prepaid expenses are consist of retailer and fair expenses, insurance and office rent expenses.

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### NOTE 17 – DEFERRED INCOME

As at December 31, 2014 and December 31, 2013 deferred income is comprised the following:

	December 31, 2014	December 31, 2013
Advances Taken	7.721.212	4.910.216
<b>Total</b>	<b>7.721.212</b>	<b>4.910.216</b>

### NOTE 18 – OTHER ASSET AND LIABILITIES

#### a) Other current assets

As at December 31, 2014 and December 31, 2013 other current assets are comprised the following:

	December 31, 2014	December 31, 2013
Value Added Taxes ("VAT") to be transferred	1.311.636	809.618
Taxes and duties receivable	718.969	370.733
VAT receivable on exports	392.927	177.454
Other	206.230	229.261
<b>Total</b>	<b>2.629.762</b>	<b>1.587.066</b>

#### b) Other non-current assets

As of December 31, 2014 Company has deposits and guarantees given amounts of TL 14.597. (31 December 2013: TL 13.896)

#### c) Other short term liabilities

As at December 31, 2014 and December 31, 2013 other current liabilities comprised the following:

	December 31, 2014	December 31, 2013
VAT payables as taxpayer	1.390.597	872.165
VAT payables as responsible party	327.787	291.626
Other	53.752	7.497
<b>Total</b>	<b>1.772.136</b>	<b>1.171.288</b>

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### NOTE 19 – EQUITY

#### a) **Paid-in Capital / Inflation Adjustment on Capital**

As at December 31, 2014, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (December 31, 2013: 2.453.414.335 shares) of kr 1 each. There are no privileges rights provided to different shareholder groups or individuals. The shareholder structure of the Company is as follows:

	December 31, 2014		December 31, 2013	
	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
<b>Total</b>	<b>24.534.143</b>	<b>100,00</b>	<b>24.534.143</b>	<b>100,00</b>
Adjustment on Capital	25.856.460		25.856.460	
<b>Total</b>	<b>50.390.603</b>		<b>50.390.603</b>	

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

**Registered capital information:** The Company acknowledged registered capital system under the provisions of Law No. 2499 and adopted the system with the permit of CMB dated 28 September 1984 numbered 291. Authorized capital of the Company is TL 60.000.000 TL. Paid-up capital of the Company is TL 24.534.143,35. During 2014, there was no capital increase made by the Company.

#### b) **Share Premiums / Restricted Reserves**

Equity items of paid-in capital, share premiums, and legal reserves and special reserves under restricted reserves should be presented at their nominal amounts. Accordingly the inflation adjustments provided for within the framework of TFRS, for paid-in capital has been presented under inflation adjustment on capital, whereas for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings. Other equity items have been presented at TFRS values.

The Turkish Commercial Code ("TCC") stipulates that the general legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, general legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid-in capital or issued capital.

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### NOTE 19 – EQUITY (Continued)

The details of these restricted reserves are as follows:

	December 31, 2014	December 31, 2013
Legal reserves	35.730.659	32.510.179
Special reserves (*)	46	46
<b>Total</b>	<b>35.730.705</b>	<b>32.510.225</b>

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

TL 10.060.002 extraordinary reserves (December 31, 2013: 16.507.941) have been presented under retained earnings.

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

#### c) Dividend Distribution

Dividend Communiqué No. II-19.1, dated 23 January 2014 and prepared in accordance with Capital Market Law No. 6362 published on Official Gazette No. 28513 with an effective date of 30 December 2012, was published on Official Gazette No. 28891 and it was stated that the communiqué will be effective 1 February 2014. Per Dividend Communiqué No. II-19.1 prepared based on Articles 19 and 20 of Law no. 6362;

- Corporations will distribute their profits based on dividend distribution policies and through general assembly decision in adherence with provisions of respective laws and regulations and minimum requirements for dividend distribution policy were determined.
- Dividends will be distributed to all shareholders pro-rata based on the ownership percentage as of distribution date regardless of issuance and purchase date.
- Aside from determination of the date for dividend distribution, payment period was not restricted based on the fact that dividend distribution date shall be included in distribution policy under the condition of commencement at the end of annual period during which the General Assembly for latest distribution decision was made.
- Under the condition of decision at General Assembly, dividends may be paid in installments, methods and principles were determined for payment of dividends via installment under this context.



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### NOTE 19 – EQUITY (Continued)

#### c) Dividend Distribution (Continued)

- If there is no specific ratio was determined for distribution, although an article exists within articles of incorporation for the privileged shareholders, bonus share holders, board members, employees and individuals other than shareholders; dividend amounts can not exceed one fourth of dividends paid to shareholders.
- It was decided that there has to be a specific provision in the articles of association for donations by corporations, the donation limits shall be determined by general assembly and CMB is authorized to impose maximum limits on donation amounts.
- New principles were determined regarding the calculation of advance dividend amounts to be distributed based on interim financial statements by publicly traded corporations.
- In case of decision by corporations for the distribution of at least 25 percent of net distributable period income as cash dividends, a discount of 25 percent shall be applied on registration fees regarding share issuances to be made within one year upon approval by general assembly.

Under the circumstances stated above;

- Corporations will distribute their profits based on dividend distribution policies and through general assembly decision in adherence with provisions of respective laws and regulations. Regarding profit distribution policy, corporations under the influence of CMB could adopt different bases for distribution.
- Corporations shall include the following at a minimum in their distribution policies:
  - Decision on whether any dividends will be distributed and dividend distribution rate for shareholders and other stakeholders if distributed,
  - Payment method of the dividend,
  - Timing of the dividend payment under the condition that the distribution process will begin at the latest of the period end date of the annual period that the general assembly is met.
- In case of a request for change in dividend distribution policy, the basis and the related board resolution for the change are announced publicly in accordance with the provisions of material disclosures of CMB.

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**NOTE 19 – EQUITY (Continued)****c) Dividend Distribution (Continued)**

Based on the statements above, principles of dividend distribution are as follows;

- Dividend is distributed on pro-rata basis to all of the existing shares without considering the issuance or purchase date on the date of distribution. All rights related to preferred dividends are reserved.
- Dividend may be paid in equal or different amount of installments subject to decision made at general assembly meeting for distribution. Matters below are followed for the distribution of dividends in installments:
  - Number of installments is determined by the general assembly or board of directors upon explicit delegation by the general assembly.
  - If the number of installments is not determined by the general assembly resolution; payment dates determined by the board of directors are announced publicly within fifteen days under the provisions of CMB's material disclosure regulations.
  - Installment payments are made pro-rata to all of the existing shares without considering the issuance or purchase date.
  - Dividend amounts to be distributed by the General assembly to the individuals other than shareholders are paid out under same basis and principals, and proportionally with the installment payments to be paid to the shareholders.
- - Allocation of additional reserves, carry forward of profits and distribution of dividends to bonus share holders, board members, employees and individuals other than shareholders are not permitted if legal reserves are not set up in accordance with TCC provisions; dividends are not properly allocated among the shareholders based on articles of incorporation or dividend distribution policy and shareholders does not receive their entitled dividend amounts in cash. Provisions of second clause of the article and first and third clauses of TCC Article Number. 348 are reserved.
- - Certain provision is required to be included in the corporation's article of incorporation in order to distribute dividends to preferred shareholders, bonus share holders, board members, employees and individuals other than shareholders. If there is no distribution rate determined even such provisions exist in the articles of incorporation, distribution amounts to these individuals may not exceed one fourth of the dividends distributed to the shareholders except preferred shares.
- - CMB's regulations related to right of dividend for bonus share certificate holders and allocation of dividends to bonds are reserved.

In the ordinary general assembly held on 21 March 2014, it has been decided to distribute dividend amounting to TL 23.798.178 through net profit for the year ended December 31, 2013 amounting to TL 30.211.025 as cash dividends, TL 9.633.327 is transferred from extraordinary reserves and TL 3.220.480 will be transferred to second legal reserves.

As of December 31, 2014 total amount of current year income in the statutory records and other reserves that can be subject to the dividend distribution of the Company is TL 65.824.528 (December 31, 2013: TL 33.431.504).

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### NOTE 20 – REVENUE AND COST OF SALES

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

	January 1, December 31, 2014	January 1, December 31, 2013
Domestic sales	299.215.612	298.784.056
Export sales	68.446.627	59.960.208
Other	13.814.641	610.469
<b>Gross sales</b>	<b>381.476.880</b>	<b>359.354.733</b>
Less: Sales returns and discounts	(18.555.690)	(20.238.377)
<b>Net sales</b>	<b>362.921.190</b>	<b>339.116.356</b>
Less: Cost of sales	(276.517.358)	(256.270.142)
<b>Gross profit</b>	<b>86.403.832</b>	<b>82.846.214</b>

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

	January 1, December 31, 2014	January 1, December 31, 2013
Raw materials and consumables	245.502.322	228.863.956
Personnel	19.447.236	17.668.963
Depreciation	10.973.564	9.903.904
Changes in inventory	594.236	(166.681)
<b>Cost of Sales</b>	<b>276.517.358</b>	<b>256.270.142</b>

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### NOTE 21 – MARKETING, SALES AND DISTRIBUTION EXPENSES

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

	January 1, December 31, 2014	January 1, December 31, 2013
Freight insurance	17.585.457	19.575.493
Personnel	7.653.552	6.940.788
Storage	2.770.453	2.308.153
Licenses	2.480.613	2.740.453
Dealer and authorized service	1.760.780	1.716.091
Advertisement	1.434.114	1.614.681
Transportation	717.046	703.539
Collateral	636.964	516.108
Sales commissions	584.866	633.657
Exhibition and fair	463.591	341.317
Rent	495.255	166.223
Travel	408.985	266.858
Public relations and events	133.294	120.251
Other	659.423	621.172
<b>Total</b>	<b>37.784.393</b>	<b>38.264.784</b>

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### NOTE 22 - ADMINISTRATIVE EXPENSES

For the periods ended December 31, 2014 and 2013, administrative expenses comprised the following:

	January 1, December 31, 2014	January 1, December 31, 2013
Personnel	8.780.687	8.019.765
Information technology	588.063	515.813
Transportation	405.673	418.330
Rent	399.120	-
Representation	353.742	217.636
Subscription	337.363	227.408
Depreciation and amortization	305.124	199.619
Communication	229.794	231.606
Consultancy	217.472	277.380
Duties, taxes and levies	167.383	241.915
Repair, maintenance and energy	152.851	191.765
Legal	148.591	115.702
Travel	128.930	79.326
Insurance expenses	113.542	99.118
Stationary Expenses	94.871	102.561
Donations	58.086	10.155
General Assembly	14.684	85.131
Other	767.168	1.461.431
<b>Total</b>	<b>13.263.144</b>	<b>12.494.661</b>

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### NOTE 23 – EXPENSES BY NATURE

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

Expenses by nature for the period ended December 31, 2014 and 2013 comprise the following:

	January 1, December 31, 2014	January 1, December 31, 2013
Salaries	35.881.475	32.629.516
Depreciation and amortization	11.278.688	10.103.523
<b>Total</b>	<b>47.160.163</b>	<b>42.733.039</b>

### NOTE 24 – OTHER OPERATING INCOME AND EXPENSE

#### a) Other operating income

For the periods ended December 31, 2014 and 2013 other operating income comprised the following:

	January 1, December 31, 2014	January 1, December 31, 2013
Interest income on credit sale	4.877.816	3.400.190
Foreign exchange gains on operations	1.371.848	1.535.501
Insurance income	1.209.744	98.007
Other income	745.791	4.228
<b>Total</b>	<b>8.205.199</b>	<b>5.037.926</b>

TL 2,6 million of the products in the inventories of the Company and the warehouse were partially damaged in the fire that occurred in the warehouse of the fiberglass factory in Tarsus/Mersin on August 14, 2014. While the total amount of the products which became obsolete and which were recorded using the historical cost method could be calculated accurately; although the part of these fixed assets were still usable though partially damaged. Obsolete fixed assets were disposed and the renewal and repair work for warehouse is still continuing. For the calculable amount of the damage, an agreement has been reached with the insurance broker and insurance companies. In the light of the discussions, the whole portion of the damage relating to the products that were damaged in the fire were compensated. Accordingly, the damage does not have a negative impact on the financial statements.



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### NOTE 24 – OTHER OPERATING INCOME AND EXPENSE (Continued)

#### b) Other operating expense

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

	January 1, December 31, 2014	January 1, December 31, 2013
Provision for doubtful receivables	598.367	48.958
Foreign exchange losses on operations	19.029	257.689
Other	395.217	32.207
<b>Total</b>	<b>1.012.613</b>	<b>338.854</b>

### NOTE 25 – INCOME/EXPENSE FROM INVESTMENT ACTIVITIES

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

	January 1, December 31, 2014	January 1, December 31, 2013
Gain on sale of assets held for sale, net	42.816.456	-
Gain on sale of property, plant and equipment	97.199	448.509
<b>Income from investing activities</b>	<b>42.913.655</b>	<b>448.509</b>
Loss on sale of property, plant and equipment	-	(52.653)
<b>Expense from investing activities</b>	<b>-</b>	<b>(52.653)</b>
<b>Income/(expense) from investing activities, net</b>	<b>42.913.655</b>	<b>395.856</b>

As of December 31, 2013, the Company management received a valuation report for factory building, administrative building and land for Tekiz Facilities in Istanbul and these were classified as non-current assets held for sale. TL 237.103 land, TL 66.805 of land improvements and TL 1.691.513 of buildings from these assets held for sale was sold on January 16, 2014 for a total consideration of USD 21.1 million (equals to 46.232.210 TL) in cash. After deducting miscellaneous expenses related with sales transactions amounting to TL 1.420.333, the Company realized gain from this sale in amount of TL 42.816.456.

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### NOTE 26 – FINANCE INCOME AND EXPENSES

#### a) Finance income

For the periods ended December 31, 2014 and 2013, finance income comprised the following:

	January 1, December 31, 2014	January 1, December 31, 2013
Foreign exchange gains	792.325	-
Interest income on time deposits	635.843	38.426
<b>Total</b>	<b>1.428.168</b>	<b>38.426</b>

#### b) Finance expenses

For the periods ended December 31, 2014 and 2013, finance costs comprised the following:

	January 1, December 31, 2014	January 1, December 31, 2013
Interest expense on borrowings	1.605.027	2.796.703
Interest cost on defined benefit plan	620.588	436.520
<b>Total</b>	<b>2.225.615</b>	<b>3.233.223</b>

### NOTE 27 – INCOME TAX

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

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

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

If the tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax. Corporations are required to pay advance corporation tax quarterly at the rate of 20 percent on their corporate income.

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### NOTE 27 – INCOME TAX (Continued)

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.

#### **Current period tax assets and liabilities**

As at December 31, 2014 and December 31, 2013 total tax liability comprised the following:

	December 31, 2014	December 31, 2013
Corporate tax provision	16.867.479	6.527.015
Prepaid taxes	(15.538.743)	(4.726.203)
<b>Current tax liability</b>	<b>1.328.736</b>	<b>1.800.812</b>

#### **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 % (December 31, 2013: 20%). Deferred tax assets and deferred tax liabilities at December 31, were attributable to the items detailed in the table below:

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### NOTE 27 – INCOME TAX (Continued)

31 Aralık 2014 ve 31 Aralık 2013 tarihleri itibariyle, ertelenen vergi varlıkları ve yükümlülüklerini doğuran kalemler aşağıdaki gibidir:

	December 31, 2014	
	Temporary Accumulated Differences	Deferred Tax Assets/(Liabilities)
Employee severance indemnity	6.689.384	1.337.877
Vacation pay liability	2.551.662	510.333
Unrecognized interest expense	585.054	117.011
Effect of amortization and depreciation of tangible and intangible assets	(12.406.116)	(2.481.223)
Other	(1.093.860)	(218.772)
<b>Deferred tax asset/(liability), net</b>		<b>(734.774)</b>

	December 31, 2013	
	Temporary Accumulated Differences	Deferred Tax Assets/(Liabilities)
Employee severance indemnity	6.205.879	1.241.176
Vacation pay liability	2.354.644	470.929
Unrecognized interest expense	366.533	73.307
Effect of amortization and depreciation of tangible and intangible assets	(10.955.157)	(2.191.031)
Other	(1.138.680)	(227.736)
<b>Deferred tax asset/(liability), net</b>		<b>(633.355)</b>

As at December 31, 2014 and December 31, 2013, the movement of deferred tax liabilities is as follows:

	2014	2013
Opening balance as of 1 January	633.355	322.128
Other comprehensive deferred tax of income	8.934	(129.353)
Deferred tax (income)/expense	92.485	440.580
<b>Closing balance as of 31 December</b>	<b>734.774</b>	<b>633.355</b>

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### NOTE 27 – INCOME TAX (Continued)

Income tax calculated after fiscal period ended in December 31 is different from the amount which is calculated by implementing statutory tax rate on pretax income is shown below:

	January 1, December 31, 2014	January 1, December 31, 2013
Profit before tax	84.665.089	33.986.900
Tax rate %	20	20
<b>Taxes on reported profit per statutory tax</b>	<b>(16.933.018)</b>	<b>(6.797.380)</b>
Disallowable expenses	(26.946)	(170.215)
<b>Tax expense</b>	<b>(16.959.964)</b>	<b>(6.967.595)</b>

### NOTE 28 – EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the year ended December 31, 2014 amounting to TL 67.705.125 (December 31, 2013: TL 27.019.305) to the weighted average of the shares during these periods,

Earnings per share	January 1, December 31, 2014	January 1, December 31, 2013
Net Profit	67.705.125	27.019.305
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335
<b>Basic Earnings per share (Kr per share)</b>	<b>0,027</b>	<b>0,011</b>
<b>Diluted Earnings per share (Kr per share)</b>	<b>0,027</b>	<b>0,011</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS**

**a) Financial risk management**

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

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

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

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

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

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

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

*In accordance with the Article 378 of TCC or the publicly traded companies the Board of Directors are obliged to set up an expert committee in order to identify, develop and update systems, manage and put actions against those risks which can affect existency development end continuance of the Company. Accordingly, the Company set up the relevant committee on 3 April 2013, comprise of three members. In 2014, this committee has five meetings and the report prepared by this committee had been presented to the Board of Directors of the Company.*

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

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

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### NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### **Credit risk**

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party. The management of the Company covers these risks by limiting the average risk for counter party (except related parties) in all contracts and receiving guarantees if necessary. The Company works 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 10.143.471 (December 31, 2013: TL 7.853.166) which is not covered by collaterals and DBS guarantees.

Provisions made for doubtful receivables are within reasonable borders based on the past experiences of the Company in collection of accounts receivable. Therefore, the management does not foresee any additional risk relating to accounts receivable more than provisions made. Provisions are observed to be within expected thresholds based on historical trends of collection of its trade receivables. Therefore, management does not foresee any additional risk related to the Company's trade receivables other than provision allocated.

Largest balance of trade receivables is TL 7.978.789 for a single customer.

#### **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 December 31, 2014 the Company has guaranteed the receivables amounting to TL 132.305.000 (December 31, 2013: TL 123.245.250) via Direct Borrowing System aiming to avoid liquidity risk. The Company has also obtained factoring loans amounting to TL 6.297.043 (December 31, 2013: TL 4.209.533) through making early collection; increases the liquidity position and avoids foreign exchange loss risk.

#### **Market risk**

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

#### **Currency risk**

The Company is exposed to currency risk due to its import transactions and borrowings in foreign currency. These transactions are held in USD, Euro. The Company began to utilize factoring transactions in order to hedge foreign currency risk on its imports since January 26, 2010. Thus, the Company collects foreign denominated receivables in TL prior to maturity.

#### **Interest Rate Risk**

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



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### NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) 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.

#### 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	December 31, 2014	December 31, 2013
Short-term borrowings (Note 6)	16.870.466	22.022.085

#### 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 9,47 percent (December 31, 2013: 10,94 percent) of the Company's revenue is attributable to sales transactions with a single customer. Largest balance of trade receivables is TL 7.978.789 for a single customer (December 31, 2013: TL 2.669.584).

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

	December 31, 2014	December 31, 2013
1. and 5. District Office (Marmara, West Black Sea Regions)	51.710.146	46.679.531
2. District Office (Central Anatolia, Middle Black Sea Regions)	14.900.814	13.496.124
3. District Office (South East Anatolia, East Anatolia, East Black Sea Regions)	10.131.993	6.462.191
4. District Office (Aegean and Mediterranean Sea Regions)	9.751.154	11.674.985
Middle East, Balkans, Africa and Others	9.015.425	8.754.287
	<b>95.509.532</b>	<b>87.067.118</b>

At December 31, 2014, the Company has a letter of guarantee amounting to TL 10.155.027 (December 31, 2013: TL 15.070.021), mortgage amounting to TL 10.000 (December 31, 2013: TL 564.000), Eximbank guarantee amounting to TL 8.773.280 (December 31, 2013: TL 14.659.589), collaterals received as notes amounting to TL 791.091 (December 31, 2013: TL 835.724) and direct borrowing system guarantees amounting to TL 132.305.000 (December 31, 2013: TL 123.245.250). The Company does not have collaterals received as cash at December 31, 2014 (December 31, 2013: None).

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### NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

Detail of credit risk as at December 31, 2014 is as follows:

December 31, 2014	Receivables				Deposits on Banks	Other
	Trade receivables		Other Receivables			
	Related Party	Others	Related Party	Others		
Exposure to maximum credit risk as at reporting date (*) (A+B+C+D)	578.256	94.931.276	--	--	33.046.128	14.351.871
- The part of maximum risk under guarantee with collateral	578.256	93.793.630	--	--	33.046.128	--
A. Net carrying value of financial assets which are neither impaired nor overdue	578.256	89.045.483	--	--	--	--
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	5.885.793	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--		--	--	--	--
- Past due (gross book value)	--	1.455.078	--	--	--	--
- Impairment (-)	--	(1.455.078)	--	--	-	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--
D. Off balance sheet items with credit risks	--	--	--	--	--	14.351.871

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

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### NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

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.

At December 31, 2014 past due but not impaired accounts receivables (except due from related parties) are as follows:

December 31, 2014	Receivables		Deposits on Banks	Other
	Trade receivables	Other receivables		
Past due 1-30 days	3.704.692	-	315.703	-
Past due 1-2 months	528.579	-	-	-
Past due 3-6 months	749.447	-	-	-
More than 6 months	903.075	-	-	-
<b>Total</b>	<b>5.885.793</b>	<b>-</b>	<b>315.703</b>	<b>-</b>
The portion secured by guarantee	4.748.148	-	-	-

As at December 31, 2014, 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.

As at December 31, 2014, the Company has guaranteed its overdue receivables by letter of guarantee amounting to TL 263.403 (December 31, 2013: 266.785), direct borrowing system (DBS) guarantees amounting to TL 3.797.530 (December 31, 2013: 4.575.776) and Eximbank guarantee amounting to TL 687.215 (December 31, 2013: TL 1.344.855).

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### NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

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

December 31, 2013	Receivables				Deposits on Banks	Other
	Trade receivables		Other Receivables			
	Related Party	Others	Related Party	Others		
Exposure to maximum credit risk as at reporting date (*) (A+B+C+D)	414.145	86.652.973	--	--	831.553	12.901.417
- The part of maximum risk under guarantee with collateral	414.145	79.153.251	--	--	831.553	--
A. Net carrying value of financial assets which are neither impaired nor overdue	414.145	79.153.251	--	--	--	--
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	7.499.722	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
- Past due (gross book value)	--	856.711	--	--	--	--
- Impairment (-)	--	(856.711)	--	--	-	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--
D. Off balance sheet items with credit risks	--	--	--	--	--	12.901.417

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### NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

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

December 31, 2013	Receivables		Deposits on Banks	Other
	Trade receivables	Other receivables		
Past due 1-30 days	4.893.416	-	831.553	12.901.417
Past due 1-3 months	1.060.227	-	-	-
Past due 3-6 months	1.326.306	-	-	-
More than 6 months	219.773	-	-	-
<b>Total</b>	<b>7.499.722</b>	<b>-</b>	<b>831.553</b>	<b>12.901.417</b>
The portion secured by guarantee**	6.187.416	-	-	-

#### Guarantees

In accordance with the Company policy, total guarantees amounting to TL 14.351.871 (December 31, 2013: TL 12.901.147) are given to custom offices, domestic supplier, banks and tax offices.

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### NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

Foreign currency risk is the risk arisen from the value change of any financial instrument based on currency. The Company is exposed to the currency risk due to its net assets, export sales and borrowings in foreign currency. For the exchange rate risk, the management of the Company strictly follows up stabilizing foreign exchange position. The main currencies used are USD and Euro. As at December 31, 2014 and 2013, net position of the Company is resulted from foreign currency assets and liabilities:

CURRENCY POSITION						
	December 31, 2014			December 31, 2013		
	TL	USD	Euro	TL	USD	Euro
1. Trade receivables	8.993.927	3.358.930	427.165	8.914.265	3.367.509	588.112
2a. Monetary financial assets	4.692.913	2.023.767	-	8.813.954	4.106.104	17.128
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	61.754	-	21.893	-	-	-
<b>4. Current Assets (1+2+3)</b>	<b>13.748.594</b>	<b>5.382.697</b>	<b>449.058</b>	<b>17.728.219</b>	<b>7.473.613</b>	<b>605.240</b>
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+9)</b>	<b>13.748.594</b>	<b>5.382.697</b>	<b>449.058</b>	<b>17.728.219</b>	<b>7.473.613</b>	<b>605.240</b>
10. Trade payables	(1.584.169)	(451.946)	(190.077)	(1.656.106)	(468.622)	(223.370)
11. Financial liabilities	(6.296.919)	(2.351.998)	(298.816)	(4.209.533)	(1.588.070)	(279.283)
12a. Monetary financial liabilities	(11.595)	(5.000)	-	-	-	-
12b. Non-monetary financial liabilities	-	-	-	-	-	-
<b>13. Short Term Liabilities (10+11+12)</b>	<b>(7.892.683)</b>	<b>(2.808.944)</b>	<b>(488.893)</b>	<b>(5.865.639)</b>	<b>(2.056.692)</b>	<b>(502.653)</b>
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	--	--	--	--	--	--

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### NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

CURRENCY POSITION						
	December 31, 2014			December 31, 2013		
	TL	USD	Euro	TL	USD	Euro
16a. Monetary financial liabilities	-	-	-	-	-	-
16b. Non-monetary financial liabilities	-	-	-	-	-	-
<b>17. Long Term Liabilities (14+15+16)</b>	-	-	-	-	-	-
<b>18. Total Liabilities (13+17)</b>	<b>(7.892.683)</b>	<b>(2.808.944)</b>	<b>(488.893)</b>	<b>(5.865.639)</b>	<b>(2.056.692)</b>	<b>(502.653)</b>
<b>19. Off-Balance sheet financial derivative net asset (liability) position (19a-19b)</b>	-	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
<b>20. Net foreign currency asset (liability) position (9-18+19)</b>	<b>5.855.911</b>	<b>2.573.753</b>	<b>(39.835)</b>	<b>11.862.580</b>	<b>5.416.921</b>	<b>102.587</b>
<b>21. Monetary items net foreign currency asset (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>5.794.157</b>	<b>2.573.753</b>	<b>(61.728)</b>	<b>11.862.580</b>	<b>5.416.921</b>	<b>102.587</b>
<b>22. Total fair value of financial instruments used for currency swap</b>	-	-	-	-	-	-
<b>23. Hedged amount of foreign denominated assets</b>	-	-	-	-	-	-
<b>24. Hedged amount of foreign denominated liabilities</b>	-	-	-	-	-	-



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### NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

As at December 31, 2014 and December 31 2013 currency sensitivity analysis is as follow;

Currency Sensitivity Analysis				
	December 31, 2014		December 31, 2013	
	Profit/(Loss)		Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL				
1- Net USD asset/(liability)	596.827	(596.827)	1.156.133	(1.156.133)
2- Part of hedged from US Dollar risk (-)	-	-	-	-
<b>3- Net US Dollar effect (1+2)</b>	<b>596.827</b>	<b>(596.827)</b>	<b>1.156.133</b>	<b>(1.156.133)</b>
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net EUR asset/(liability)	(17.412)	17.412	30.125	(30.125)
5- Part of hedged from EUR risk (-)	-	-	-	-
<b>6- Net EUR effect (4+5)</b>	<b>(17.412)</b>	<b>17.412</b>	<b>30.125</b>	<b>(30.125)</b>
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/(liability)	--	--	--	--
8- Part of hedged from other currency (-)	--	--	--	--
<b>9- Net other currency effect (7+8)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>TOTAL (3+6+9)</b>	<b>579.415</b>	<b>(579.415)</b>	<b>1.186.258</b>	<b>(1.186.258)</b>

For the periods ended December 31, 2014 and 2013, total import and export of the Company comprised the following:

	December 31, 2014	December 31, 2013
Total exports	68.446.627	59.960.208
Total imports	80.615.558	101.767.671

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### NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

##### 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 its 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 December 31:

December 31, 2014				
As of December 31, 2014 Maturity per agreements	Book value	Total contractual cash outflows	0-3 Months	3-12 Months
Non-derivative financial liabilities	44.829.205	44.829.205	34.767.506	10.061.699
Short term payables	16.870.466	16.870.466	6.808.767	10.061.699
Trade payables	23.501.584	23.501.584	23.501.584	-
Other payables	14.010	14.010	14.010	-
Employee benefit obligations	2.671.009	2.671.009	2.671.009	-
Other short term liabilities	1.772.136	1.772.136	1.772.136	-

December 31, 2013				
As of December 31, 2013 Maturity per agreements	Book value	Total contractual cash outflows	0-3 Months	3-12 Months
Non-derivative financial liabilities	48.575.148	48.575.148	48.542.901	322.247
Short term payables	22.022.085	22.022.085	22.022.085	-
Trade payables	23.208.306	23.208.306	23.176.059	322.247
Other payables	5.540	5.540	5.540	-
Employee benefit obligations	2.167.929	2.167.929	2.167.929	-
Other short term liabilities	1.171.288	1.171.288	1.171.288	-

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### NOTE 29 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### **b) Risk Management Disclosures (Continued)**

##### **Determination of Fair Values**

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

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

##### **Trade receivable and payables**

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

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

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

##### **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.

### NOTE 30 – SUBSEQUENT EVENTS

None.









# 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