



**TİCARET VE SANAYİ A.Ş.**

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

2015

**ACTIVITY REPORT OF İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ  
PRESENTED TO THE 51<sup>TH</sup> GENERAL ASSEMBLY OF SHAREHOLDERS HELD ON  
22<sup>nd</sup> MARCH 2016**

**İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ**

|                            |  |
|----------------------------|--|
| İstanbul Trade Registry    | : 90639  |
| Mersis No                  | : 0484002307900018 (Central Registry System)   |
| 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<br>(Twenty four million five hundred thirty four thousand one hundred forty 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

Dilovası Organize Sanayi Bölgesi 1.Kısım Dicle Caddesi No:8, 41455 Dilovası / KOCAELİ

Phone: +90 262 754 63 91 / 5 line - 754 81 65 / 6 line

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 63 80

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 hat

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, 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 00 34

### 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 Osmangazi / BURSA

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

### ANTALYA OFFICE

Etiler Mah. 829 Sokak A Plaza Bina No: 3 Kat: 2 Daire: 20 07010 Muratpaşa / ANTALYA

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

### DİYARBAKIR OFFICE

Şanlıurfa Bulvarı, 3. km Dara Plaza Kat: 6 No: 36 Kayapınar / 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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## **IZOCAM TİCARET VE SANAYİ A.Ş. 51<sup>th</sup> ORDINARY GENERAL ASSEMBLY MEETING**

**Date : 22<sup>nd</sup> March 2016, Tuesday, at 10:00 a.m.**

**Address : Renaissance Polat Istanbul Hotel, Sahil Yolu Cad. No:2 Yesilyurt Istanbul, 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 2015,
6. Informing 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 2015 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 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 2015 and determining an upper limit for the grants to take place in 2016 under the Capital Market Board.
13. Pursuant to the regulations of the Capital Market Board, giving information to the Shareholders about revenues or benefits achieved through warrant, lien, mortgage and bailments given by the Company and subsidiaries thereof for the 3rd persons in 2015,
14. Informing 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 2015 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 2015.
18. Sign off the minutes of the General Assembly meeting by the Presidential Board.
19. Wishes.

## 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.*

## INDISPENSIBLE 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

*We have celebrated and left behind our 50th year in 2015. As to the forthcoming period, we are targeting to be a stronger, further institutionalized company that carries its leader position within the industry a step further by projecting the knowledge and experience we have gained throughout those 50 years. Izocam will both continue to strengthen its corporate structure and also display the necessary determination and endeavor to work together with its personnel in order to create value for its entire stakeholders.*

*The year we left behind was a period fall short of the mark for some us and one better-than expected for the others. But when we consider the fact that it was a year with a global economic outlook where the oil prices declined, and with our country going through two general elections, 2015 will be remembered as a period full of challenges.*

*Moreover, 2015 was also a year where the regional and political risks are increased as well as the economic ones. Unfortunately, the circumstances in question have affected the economies and countries of the region adversely and this effect continues already.*

*As Izocam, we are enjoying the pleasure of achieving, though hardly, our objectives in 2015 despite both the global and regional uncertainties and increased risks. We generate a net sales revenue of 370 million TL with an increase of 2% compared to 2014. Export sales constituted 63 million TL of the total sales of Izocam in 2015. Our revenue from export has decreased by 7.5% because of the challenges experienced in our export markets even if there is a 4.3% increase in domestic sales in 2015. Consequently, we achieved only 2% growth in our total sales compared to last year. When it comes to profitability, our operating income of 2015 has been realized as 39.2 million TL and our operating profitability decreased by 7.8% as against to the previous year. As a result, our operating income has decreased by 7.8% although we achieved 2% growth in net sales revenue in 2015 when compared to 2014.*

*Besides the turnover and profitability, Izocam has paid the highest amount of dividend in its history with 59.4 million TL in 2015. In addition, in 2105, Izocam has been granted the award of "Company Rising its Rate in Corporate Governance Index the Most in the Last Year" in the Corporate Governance Awards Ceremony held every year by Turkey Corporate Governance Association. Izocam that received 8.76 points when the company was subjected to Corporate Governance Rating for the first time in 2014, displayed its discipline and consistency once again by increasing its score to 9.16 this year. And this award further increased our responsibility related with the issues like conforming to the regulations and legislations, improving our operational efficiency and developing our corporate identity.*

*We do not know what 2016 will bring, but our target for the new year is to maintain our growth that continued successfully until today and to reach better results through new projects and investments. Within this frame, I extend my special thanks to all our shareholders, fellow workers and investors for all their contributions and shares in the success of our company.*



Gianni Scotti  
Chairman

## MESSAGE OF GENERAL MANAGER

*Dear Stakeholders,*

*50 years ago, we started the milestone of insulation industry in Turkey with Izocam and we are proud to be still the leader of it. Of course, we met with many obstacles and difficulties in these 50 years. The political uncertainties that take place from time to time in our country affected the economy. Its reflection to foreign currencies affected our exportation. One the most challenging years among these terms was the year 2015. We went through two elections. Markets that hanged and came to a standstill because of the election, neighbouring countries' and other countries' experiencing unrest and terrorist incidents that took place in our country and the world made 2015 a difficult year. Greece was faced with a crisis and the refugee crisis that is occurred because of the war in Egypt and Syria affected the world and particularly Turkey. Although these problems at the west and east borders of our country narrowed our exportation, they didn't demoralize us and we walked to our objectives pertinaciously.*

*Not everything was bad in 2015, we also experienced good progress. First of all we celebrated our 50th year with our dealers, associates and employees; we raised our moral together. We shared our contributions to our country's economy and to the environment in these 50 years with people by media. We revealed that we achieved 200 million TEP energy saving from the day we are established, contributed to our country's economy with 110 billion dollar energy saving and contributed to the environment by stopping 650 million ton CO2 emission. Therefore, we underlined we are equal to the word insulation in Turkey.*

*We dwell on our behaviour and business principles which enrich us, bring us together and give us power. In 2015, we showed our standing against Social Gender Inequality many times. We will continue to work on offering equal rights and opportunities to our female employees in 2016. Beyond the subject of Social Gender Inequality, we will continue to show our determination about respecting all differences, gaining strength and value from them.*

*Just like every year, we organized training programs to improve our Human Resources in 2015. Our training time per person in 2015 is 43,27 hours. We hope the trainings we organized will be useful for our employees and our organizational culture.*

*We were also proud to be considered worthy to get certificates and awards which are very important for our industry in 2015. We were honoured for our works and process with Climatization Industry Exporters' Association Exportation Award, Best Safety Improver Award that is given by Saint Gobain and Kocaeli Chamber of Industry Outstanding Performance Award. We were also ranked among top 100 companies in Brand Finance and kept our place in ISO 500. We had 9.16 points from Corporate Evaluation in 2015, which we were subjected in 2014 for the first time.*

*These achievements are the proofs of our success in overcoming the difficulties no matter how tough the conditions are.*

*We have always underlined the quality and the security of our products and perfection of our production processes by certifications. Therefore, we always gave priority to engineering operations. In 2015, we received the recompense of our sensibility by being awarded the certificates. By the date April 1, 2015, we received EPD (Environmental Product Declaration) Certification for our glass wool and stone wool products. This certificate has an important place for us. The reason is we became the "first" organisation which has an EPD Certification among insulation materials manufacturers in Turkey. As all of you know, not only we bring up the contributions of insulation to environment and nature in every opportunity, we also express the environmental performance of our products. We will continue to certificate the quality of our products and processes in every fields. Our first objective right now is to get "27001 Information Security Management" certification which we are working on.*

*2015 was a year that we received the recompense of our works on social responsibilities. We reached 100 thousand children due to the project OZI, which is the most important project we conduct on “Energy Efficiency”. On the other hand, we provided training for 43 thousand people per hour in IYEM, which makes it possible to applying insulation properly by developing qualified manpower, and we reached to 1700 workmen in trainings. We also reached to 2800 people with our Izodemi trainings focused on sales and marketing we provide for our sales representatives all around Turkey who are the parts of Izocam family.*

*Although the conditions of competition are getting more aggressive everyday in insulation industry, 2016 will be the year of new investments for us. First of all, this is the year we will renew our oven. We target to move Izocam forward in the competition by renewing our glass wool oven. While leaving a difficult year like 2015 behind, we look more hopeful and determined to 2016. We know that our firm unity, 50 years experience, our desire to reach success will make us continue to make our mark on the industry and be heard with our useful works by people.*

*I wish that 2016 will be a successful year that is achieved together.*



*Arif Nuri Bulut  
General Manager*

## İZOCAM TİCARET VE SANAYİ A.Ş. BOARD ACTIVITY REPORT

*Esteemed Shareholders,*

*Welcome to our Ordinary General Assembly which has been held to review and finalize 2015 activity results of our Company. We would like to thank you for your interest and greet all of you respectfully.*

*In the 51th Shareholders General Assembly of Izocam, we would like to inform you regarding the operations of our company in 2015 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 in 1993.*

*Currently, a total of mineral wool capacity is 130.000 ton/year, 55.000 ton/year of 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 İzopor 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. With the new investment in Gebze in 2011, total capacity has been reached to 720.000 m3/year.*

*Production of elastomeric rubber foam İzocamflex 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 İzocam 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 İzocam 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 which were put 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 EUCB Certificate that is given only to bio-products.*

## BRIEF HISTORY

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

*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 A.Ş. and Saint Gobain Weber Yapı Kimyasalları San. ve Tic. A.Ş.*

*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 SHARE HOLDING 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 2015, Izocam stock has resembled a parallel performance versus BIST 100 (Istanbul Stock Exchange).*

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

*108,01 % over the paid capital in 2013  
123,14 % over the paid capital in 2014  
241,96 % over the paid capital in 2015*

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

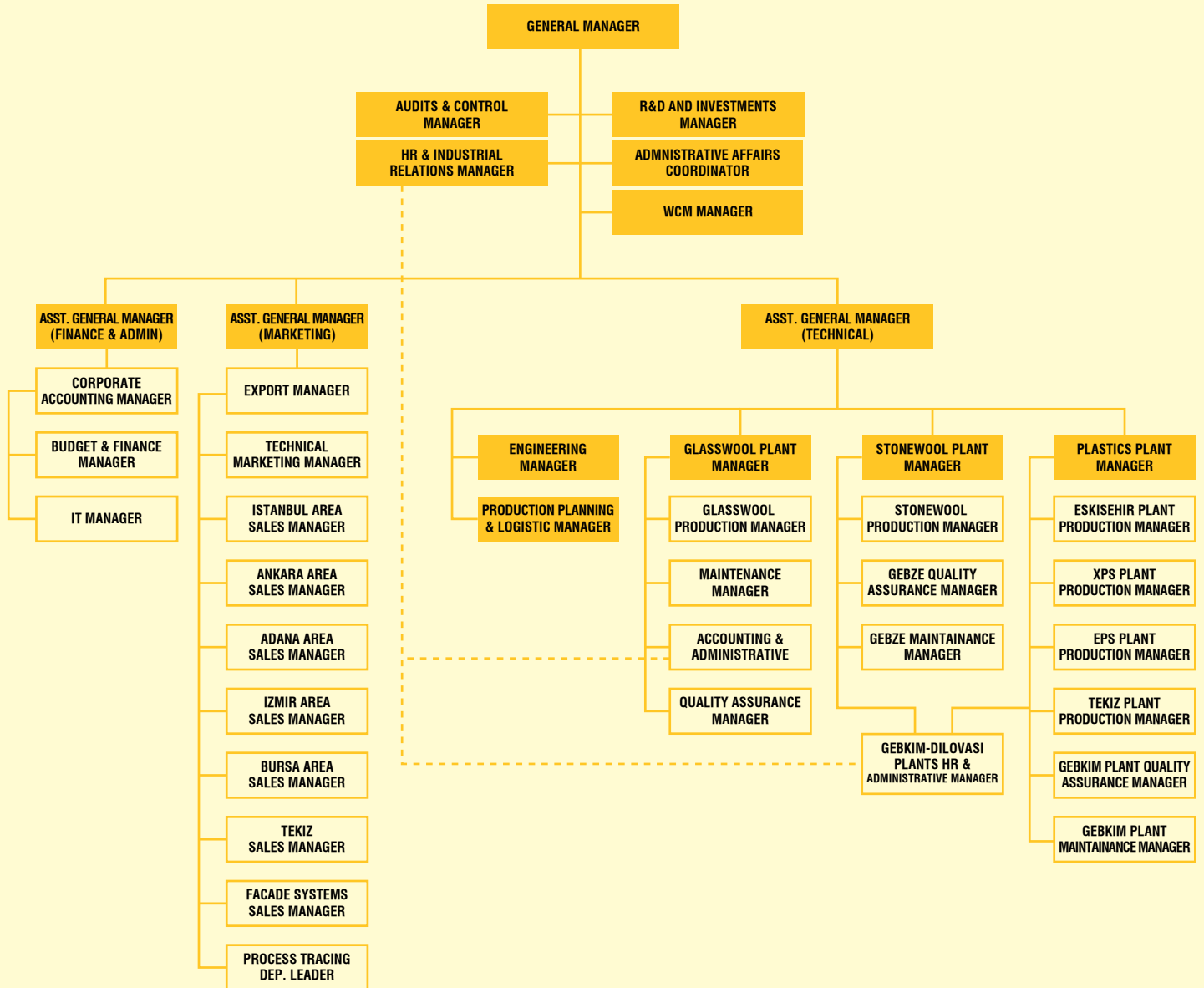
*Issued capital of the Company is TL 24.534.143,35 and it has been fully paid and covered. Issued capital has been divided into 2.453.414.335 shares each with a par value of kr 1(one kuruş) and they are all registered shares. Every share has one right to vote and we have nearly four thousand partners, 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 2015, 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.*

## ORGANIZATIONAL STRUCTURE

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





## OUR BOARD



*GIANNI SCOTTI • Chairman*



*SAMIR MAMDOUH KASEM  
Vice Chairman of the Board*



*ARNAUD MOISSET  
Member*



*ROBERT ETMAN  
Member*



*ARIF NURİ BULUT  
Member – General Manager*



*POL ZAZADZE  
Member*



*GÜLSÜM AZERİ  
Member*

*There were no member changes in the Board of Directors within the year.*

## INFORMATION ABOUT BOARD & AUDIT COMMITTEE MEMBERS

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

| Name Surname   | The first year in the Board of Directors | Committees Charged in  | The first year in the Committee | Duties Outside the partnership   |
|----------------|--|--|---------------------------------|--|
| Gianni Scotti  | 2008                                     |  |                                 | Saint Gobain Mediterranean Region Delegate and General Director of S&G Italy, Greece and Switzerland                                 |
| Samir Kasem    | 2010                                     |  |                                 | Alghanim Industries - President  |
| 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  |                                 | Board Member of "Tat Konserve San. A.Ş" "Saint Gobain İnovatif Malz.ve Aşındırıcı San. Tic A.Ş" and "Atlas Zımpara San. ve Tic. A.Ş" |
| Gülsüm Azeri   | 2012                                     | Audit Committee Member   | 2012                            | OMV Petrol Ofisi AŞ - OMV Gaz ve Enerji Holding AŞ CEO- Board Member   |
| Pol Zazadze    | 2012                                     | Audit Committee President. Corporate Governance Committee President. Early Detection of Risk Committee President | 2012                            | PersonnaTıraş Ürünleri ve Kozmetik San. Tic. Ltd.Şti General Manager   |

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:

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

## INFORMATION ABOUT BOARD & AUDIT COMMITTEE MEMBERS

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.

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.

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.

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 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 member objects the decisions taken in the meeting, this is noted to the meeting minutes.

Prior to any Board of Directors' Meeting, the Board Chairman submits the documents and data related with the agenda items to an examination of all the members, on the purpose of providing equal information to every member of the board.

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 2015 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 are available in our "Corporate Governance Principles Compliance Report".

### **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 23 March 2015, convened on 22 April 2015 and shared tasks. Independent board members Gülsüm Azeri and Pol Zazadze (President) were assigned to Audit Committee members; independent board member Pol Zazadze (President) and board members Arnaud Jacques Gérard Moisset and Robert Theodoor Gijsbert Etman and the Manager of Investor Relations Unit Doruk Özcan who works as the Assistant General Manager responsible for Finance and Administrative Affairs 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.

## INFORMATION ABOUT BOARD & AUDIT COMMITTEE MEMBERS

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 seven 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 its suggestions and minutes to the Board of Directors. The Early Risk Detection Committee convened five times within the year and submitted the company assessment report to the Board of Directors.

The evaluations of the Board of Directors related with the efficiency of the systems in the fields of internal control and risk management are given below.

### 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 2015 in our “Corporate Governance Principles Compliance Report” attached to this report.

“Pricing Codes Related With The Board Of Directors’ Members And Senior Executives” of our Company, which contains all kinds of rights, benefits and wages provided for the Board of Directors’ members and senior executives, and also the criteria and pricing principles used for determining them, is updated and put into practice after it is approved in our Ordinary General Assembly dated 23.03.2015.

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 salary 11.500,00 TL is paid to each independent Board of Directors members.

For the period ended December 31, 2015 and December 31, 2014, remunerations to the top management are comprised the following:

|   | 1 <sup>st</sup> January<br>31 <sup>st</sup> December 2015 | 1 <sup>st</sup> January<br>31 <sup>st</sup> December 2014 |
|---|---|---|
| Short term benefits   |   |   |
| (Salaries, premiums, housing, company cars, social security, health insurance, vacation pay etc.)                 | 4.146.135   | 4.112.480   |
| Long term benefits  |   |   |
| (Termination indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.) | 719.415   | 750.712   |
|   | 4.865.550   | 4.863.192   |

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



**DORUK ÖZCAN**  
Assistant General Manager  
Finance, Administration

**FATİH ÖKTEM**  
Assistant General Manager  
Marketing

**ARİF NURİ BULUT**  
General Manager

**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 (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 and was assigned as the Assistant General Manager in 2014.

**Company's Assistant General Manager (Finance-Administration)** Doruk Özcan started his work life in Izocam in 2007 as Corporate Account Manager and was appointed Assistant General Manager as of 1st January 2015.







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

| NAME-SURNAME         | DUTY  |
|----------------------|---|
| ARİF NURİ BULUT      | GENERAL MANAGER                             |
| FATİH ÖKTEM          | ASSISTANT GENERAL MNG. MARKETING            |
| NABİ AKPINAROĞLU     | ASSISTANT GENERAL MANAGER. TECHNICAL        |
| DORUK ÖZCAN          | ASST. GENERAL MNG. FINANCE & ADMINISTRATION |
| VUSLAT GÖKÇE*        | ADMINISTRATIVE AFFAIRS COORDINATOR          |
| ÖNER TORUN           | CORPORATE ACCOUNTING MANAGER                |
| DİLEK PEHLEVAN       | BUDGET AND FINANCING MANAGER                |
| NEJDET AVCI          | INFORMATION SYSTEMS MANAGER                 |
| GÖZDEHAN ÇAYCI*      | HUMAN RESOURCES AND IND. REL. MNG.          |
| UMUT AYHAN           | AUDIT AND CONTROL MANAGER                   |
| EŞREF BİNGÖL         | RESEARCH AND DEVELOPMENT MANAGER            |
| MUSTAFA SELÇUK       | PRODUCTION PLANNING AND LOGISTIC MANAGER    |
| HALİL SITKI ERGÜN    | ENGINEERING MANAGER                         |
| KEMAL GANİ BAYRAKTAR | TECHNICAL MARKETING 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 AUXILIARY OPERATIONS MANAGER |

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

|                   |   |
|-------------------|---|
| MEHMET BEZZAZOĞLU | FACILITY MANAGER  |
| İLHAN KARAAĞAÇ    | FOAMBOARD PRODUCTION MANAGER                                      |
| ÖZGÜR ÖKTEM       | İZOPOR FACILITY PRODUCTION  |
| 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<br>(GEBKİM and DİLOVASI) |

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

|              |                                     |
|--------------|-------------------------------------|
| RAMAZAN TOK  | 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 |
|------------|--------------------|

*\* Gözdehan Çaycı is appointed as the Manager of Human Resources and Industrial Relations since Vuslat Gökçe, previously occupying that position, was assigned as the Administrative Affairs Coordinator as of 1 January 2016.*

*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.*

## ADMINISTRATIVE ACTIVITIES AND SECTORIAL DEVELOPMENTS

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

2015 was a year with high number of negative developments and limited number of positive issues for the world economy. One of the positive issues was the announcement of FED's long-awaited, deferred interest rate increase. While the data received from USA and European Union displayed a recovery in 2015, the disruption in the economic data belonging to other developing countries was remarkable.

Within the framework of this global economic conjecture, the performance of Turkey took place somewhere in between USA and EU countries and developing countries. 2.6% GDP growth is experienced within the first 9 months of 2015. On the other hand, the growth in construction sector decelerated versus the previous years and remained at the level of 1,6%.

Despite the limited growth in construction sector, housing sales were at all-time high with 1,289,320 houses sold in 2015, with an increase of 10,6% compared to 2014.

Turkish currency devalued by 25.4% against USD and 13.1% against euro in 2015. The loss in currency basket of 50% USD and 50% EURO was 19.3%. Implications of declining Turkish Lira were observed also in interest rates and inflation. CPI that was 5.7% in 2014 reached to 8.8% at the end of the year while the interest rates closed the year with double-digit figures.

The level of the past year is maintained in the real sector and consumer confidence indexes in a year where we went through two general elections.

Under these economic circumstances, Izocam achieved a growth of 4,3% in domestic sales of 2015 versus 2014. However, our revenue from export has decreased by 7.5% as against to last year, because of the challenges experienced in our export markets. Accordingly, net sales of Izocam increased by 2% compared to 2014 and we closed the 2015 with net sales revenue of 370 million TL.

### Sectorial Developments in 2015

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 have been emerged.

Turkey's Regulation on Fire Protection was revised and reissued on 09.07.2015. The amendments in sections regarding our company of this revision are given below.

In slabs; Grade of fire resistance of the EPS filler joist slabs must be as stated below and this condition must be certificated by accredited laboratories.

In conventional façade systems ;

- Thermal sheeting (Manto) systems using EPS, EPS Plus, XPS and Stone wool insulation materials will be tested and certified in accredited laboratories.
- EPS external thermal insulation system can be used, without the necessity of any additional condition, in all buildings under 6,5 meters height.
- In the case of using EPS external thermal insulation system in buildings with a height between 6,5 - 28,5 meters, fire barrier should be applied. This barrier shall be minimum 15 cm wide at the sides of the windows and minimum 30 cm on top of the windows.
- EPS external thermal insulation system cannot be used in buildings higher than 28,5 meters. Instead, Stone wool thermal sheeting (Manto) system must be used in these buildings.

## ADMINISTRATIVE ACTIVITIES AND SECTORIAL DEVELOPMENTS (Continued)

### 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.

### Relations with Vendors, Customers and Suppliers

The training and certification activities organized by our Company for its vendors, customers and other stakeholders in 2015 has been explained in detail in the IV -4 Other Stakeholders section of our Corporate Governance Compliance 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.

## IZOCAM ACTIVITIES IN 2015

### Information on interim investments

Our investments in 2015 consists of various investments in the safety of roofs of our facilities; investments in sprinkler systems of our production facilities and warehouses; on-line punch investment for Tarsus facility and investment in PIR production in Tekiz facility.

Total amount of our tangible and intangible fixed asset purchases within the year is 9.002.856,60 TL (9.173.049,- TL in 2014).

### 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.

Within the scope of the importance and necessity for the Company of internal controls, Izocam Reference Book of Internal Control System has been prepared and issued both in written and on intranet pages with the aim of enhancing the awareness within the Company and guiding the users. Efficiency of the internal control system is tested through the internal audits conducted, and risky points and fields of improvement are periodically reported to the managers of the relevant units and to the senior management.

In 2015, awareness has been heightened by providing trainings under the title of Izocam Corporate Structure and Internal Control Systems for the employees. It is aimed to provide the employees with updated information also on innovations and advances in this field by making the trainings perpetual.

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 2015, 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.

### Decisions of the General Assembly

Corporate Board of Directors has convened two times, ordinarily on 23 March 2015 and extraordinarily on 16 June 2015, within 2015 and quorum has been constituted in the meetings. The detailed information belonging to these meetings is given in 'Corporate Governance Compliance Report'. All issues that took place in the agenda of this General Assembly and resolved are executed within the year.

## IZOCAM ACTIVITIES IN 2015 (Continued)

### **Amendments On The Articles Of Association**

Extraordinary General Assembly convened on 16 June 2015 and It was unanimously resolved to amend 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: Qualifications Of The Members Of Board Of Directors And The Way Of Holding The Meetings; Article 15: Management and Representation of the Company; Article 16: Auditors; Article 18: General Assembly Meetings” of the Articles of Association. These amendments were registered in Istanbul Trade Registry Office on 26 June 2015 and announced in Turkish Trade Registry Gazette on 2 July 2015 (Pages 297-300).

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

In 2015, our company has donated and contributed a total of 85.056.85 TL; 10.000,- TL of which is to Mehmetçik Vakfı, 10.000,- TL to Çağdaş Yaşamı Destekleme Derneği, 10.000,- TL to Deniz Temiz Derneği, 10.000,- TL to Lösev Lösemili Çocuklar Derneği, 14.425,00 TL to Türk Eğitim Vakfı, 18.662,36 TL to Dini Yüksek İhtisas Merkezi and 11.969,49 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 2015.

### **Measures taken in order to prevent conflict of interests between 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

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 2015   | 31 December 2014   |
|---------------------------------|--------------------|--------------------|
| <b>Cost</b>                     |                    |                    |
| Lands and Parcels               | 6.004.308          | 6.004.308          |
| Land Improvements               | 4.636.272          | 4.613.669          |
| Buildings                       | 56.722.333         | 55.340.487         |
| Plants, Machinery and Equipment | 208.653.949        | 202.341.896        |
| Fixtures, Special Costs         | 10.115.342         | 9.252.883          |
| Ongoing Investments             | 2.356.511          | 2.094.354          |
| Advances Given                  |                    |                    |
|                                 | <b>288.488.715</b> | <b>279.647.597</b> |
| <b>Accumulated Depreciation</b> |                    |                    |
| Land Improvements               | 3.255.821          | 3.127.418          |
| Buildings                       | 21.138.353         | 19.758.505         |
| Plants, Machinery and Equipment | 169.741.756        | 160.944.198        |
| Fixtures, Special Costs         | 6.779.988          | 6.296.079          |
|                                 | <b>200.915.918</b> | <b>190.126.200</b> |
| <b>Net Book Value</b>           | <b>87.572.797</b>  | <b>89.521.397</b>  |

## HUMAN RESOURCES MANAGEMENT

Our Company has always targeted to be innovative and leader in its sector 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.

Average total number of the personnel working for our company in 2015 is 448 (average number of the last year was 435). 215 of the current employees are white collars and 233 are blue collars. Total number of our personnel as of 31 December 2015 is 451. (It was 442 as of 31 December 2014)

9 % of the personnel is woman and 91 % is man and the average age is 36 with a seniority average of 9 years. 48% the total labor force consist of university graduates carrying either of Doctorate, Post Graduate or Bachelors degree.

Our company is attentive to employ women workers both as white and blue-collar personnel. There are already 2 women personnel serving as mid level manager among our white collar employees, and 4 blue collar women personnel is employed in our Eskişehir facility as of 2015. In addition, there is one woman member as independent member in our Board of Directors. Our Company maintains its policy implementations aiming at increasing the woman worker employment.

### 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 2015, average training time per capita is 44,08 hours; 65 % of these trainings are internal training, 28% external training and 7 % is the trainings received in electronic environment. Post graduate and English language training support is provided in our company under certain circumstances.

## HUMAN RESOURCES MANAGEMENT (Continued)

### Internal Communication

“İzocam Honor Wall” emphasizing the importance of the labor and value of İzocam employees has been prepared. Names of all the workers served for İzocam since 1965 is written over this visual wall. This visual wall has been displayed in the company stand at the Construction Fair, Personnel Premiere Nights and General Directorate Seminar Hall, and the importance we attach to our personnel is emphasized once again by this way.

Special mail templates are generated for internal communication and it is ensured to deliver the notifications with specified designs.

Informative Speech on Behavior and Working Principles has been given to the employees by General Manager in 2015.

Information meeting on Social Sex Discrimination has been organized for the employees and vendors by General Manager.

Congratulation and celebration messages related with special occasions like the Day of People with Disabilities, Women’s Day, and Human Rights Day are issued via social media and intracompany e-mail.

At the end of the year, our General Manager evaluated the past year and shared the targets and expectations for the next year with the employees.

### Social Rights

With the aim of intensifying the motivation and deepening the commitment of the employees, our company supports the intra and extra company activities and promotes the participation of its employees. The activities supported by our Company:

- Company Financial support is provided as a contribution to individual to Pension System is equal to the amount paid by the employee who discretionally joined to the Individual Pension System.
- Financial support, increasing according to the term of employment in the company, is provided for insurance premium payments of the personnel who took out a Private Health Insurance.
- Our employees are sharing their ideas related with the development of the company through our Suggestion Award System. Gifts and plaques are given, within the scope of suggestion rating system, to our fellow workers who developed a project, generated an idea for the benefit, profit of our Company.
- Food aid package on every holiday together with detergent and towel packages on year ends are given to our employees.
- Circumcision Feasts are organized for the children of our employees in Dilovası, Tarsus and Eskişehir.
- İzocam Table Tennis Team participates in intercompany tournaments.
- Merry holiday and New Year celebrations are made.
- Discretionary influenza vaccine is provided.
- Participation in theater, movie, exhibition, concert activities etc. is ensured.

A decrease of 336.257,-TL has occurred in our benefit obligation calculated according to the Notifications of Capital Market Board as of 31.12.2015 and this amount has been included to the long-term liabilities of our balance sheet.

## FINANCIAL STRUCTURE

Our balance sheet dated 31.12.2015 and statements about balance sheet 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, 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 31.12.2015, 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 15th February 2016 and number 757.

As per the policies of the Company, the total amount of guarantees given is 16.879.261 TL (31 December 2014: 14.351.871,-TL) and these guarantees generally consists of letters of guarantee and notes submitted to customs houses, domestic suppliers, banks and tax offices.

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 2015 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 FIGURES

A decrease in utilization ratios of panel and plastic products has been observed in 2015 because of the shrinkage in our export markets.

2015 production amounts and capacity use rates as of product class are as follows:

| (In comparison with 2014)            | CAPACITY USAGE RATE<br>(%) |      | PRODUCTION |         |
|--------------------------------------|----------------------------|------|------------|---------|
|                                      | 2015                       | 2014 | 2015       | 2014    |
| Mineral Wools (Ton)                  | 69                         | 68   | 89.172     | 88.924  |
| Panel Products (000 m <sup>2</sup> ) | 61                         | 61   | 1.587      | 1.551   |
| Plastics (m <sup>3</sup> )           | 45                         | 51   | 514.590    | 559.174 |

## NET SALES AND PROFITABILITY EVOLUTION

In comparison with 2014, amounts belonging to our production sales are given in below table.

(Calculated According to the notifications of Capital Market Board)

| (TL)                     | 2015               | 2014               | %           |
|--------------------------|--------------------|--------------------|-------------|
| Domestic                 | 313.547.700        | 299.215.612        | 4,79        |
| Other Domestic           | 13.960.748         | 13.814.641         | 1,06        |
| Export                   | 63.297.817         | 68.446.627         | -7,52       |
| <b>Total Gross Sales</b> | <b>390.806.265</b> | <b>381.476.880</b> | <b>2,45</b> |
| Discount and Returns     | -20.323.901        | -18.555.690        | 9,53        |
| <b>Net Sales</b>         | <b>370.482.364</b> | <b>362.921.190</b> | <b>2,08</b> |

**Board of Directors' assessment that the company is not running into dept.**

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 and Shareholders' Equity (Comparative Presentation)**

| Financial Indicators | 2011        | 2012        | 2013        | 2014        | 2015        |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Sales (TL)           | 286.431.333 | 318.292.485 | 339.116.356 | 362.921.190 | 370.482.364 |
| Gross Profit (TL)    | 81.442.690  | 79.115.997  | 82.846.214  | 86.403.832  | 87.370.645  |
| EBIT (TL)            | 43.922.847  | 33.551.123  | 37.220.123  | 86.890.704  | 40.013.079  |
| EBITDA (TL)          | 55.841.386  | 43.862.387  | 48.488.197  | 98.169.392  | 50.936.344  |
| Gross Margin (%)     | 28          | 25          | 24          | 24          | 24          |
| EBIT Margin (%)      | 15          | 11          | 11          | 24          | 11          |
| EBITDA Margin (%)    | 19          | 14          | 14          | 27          | 14          |

## NET SALES AND PROFITABILITY EVOLUTION (Continued)

| Financial Structures               | 2011        | 2012        | 2013        | 2014        | 2015        |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Liability (TL)                     | 43.319.005  | 57.997.959  | 66.750.947  | 66.634.352  | 93.440.089  |
| Equity (TL)                        | 154.216.554 | 148.278.348 | 148.280.237 | 185.810.074 | 155.053.362 |
| Financial Debt ( TL)               | 5.233.090   | 14.476.383  | 22.022.085  | 16.870.466  | 20.558.313  |
| Net Profit Margin (%)              | 12          | 8           | 8           | 19          | 8           |
| Equity / Total Assets (%)          | 78          | 72          | 69          | 74          | 62          |
| Total Debt / Equity (%)            | 28          | 39          | 45          | 36          | 60          |
| Financial Debt / Total Assets. (%) | 3           | 7           | 10          | 7           | 8           |
| Financial Debt / Equity (%)        | 3           | 10          | 15          | 9           | 13          |

In order to improve the current financial structure of the Company, we focused on credit utilization through Eximbank as an export commitment to meet the working capital needs and, compared to the previous year, increased the utilization rate of the receipt system by mobile POS devices for following up the debts and ensuring efficiency. Entire internal software for receiving payment and collection through virtual POS system has been completed in 2015 and our Company started to use these within the year.

## PROFIT DISTRIBUTION POLICY AND PROFIT DISTRIBUTION SUGGESTION

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 2015, 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 31.12.2015, we have TL 27.622.531,00,00 TL net period profits in our income statement and according to the legal records a profit of 28.743.575,91 TL has been gained.

To distribute 12.900.000,00 TL cash dividends over our capital amount corresponding to 24.534.143,35 TL which was paid to the shareholders according to Turkish Trade Law, Capital Markets Law and company's Articles of Association; to keep TL 1.167.329,28 part ( 13.555.202,00 TL over the profit calculated according to CMB/TAS) as a secondary reserve, additionally transferring 14.676.246,63 to extraordinary reserves, thereby to pay 0,5257979 TL gross=net cash dividends for the share certificates which are at the rate of % 52,57979 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 % 52,57979 and net % 44,69282 TL cash dividends for the share certificates which are at the rate of 0,5257979 TL gross and 0,4469282 TL net and have a nominal value of 1,00 TL to the other shareholders; to start the dividend distribution on March 28, 2016 has been proposed.

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 İstanbul (BIST) under IZOCM code

We don't have any long term financial assets.



## THE DETAILS OF 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 2015, the volume of this trade, ratio of purchasing operations to cost of sold commodities is 1 % (one percent) and ratio of selling operations to our sales is 0.2 % (two tenths percent)

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

| <b>Goods and Service Sales to Related Parties</b>                          | <b>2015</b>    | <b>2014</b>      |
|--|----------------|------------------|
| Saint Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret A.Ş. (*)            | 623.017        | 542.991          |
| Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*)                        | 132.168        | 106.461          |
| Saint-Gobain Ppc Italia S.P.A. (*)   | 43.203         | -                |
| Saint Gobain Recherche (*)   | 40.778         | 34.471           |
| Kuwait Insulating Material Mfg. Co. (*)                                    | 35.426         | 18.171           |
| Saint Gobain İnovatif Malzemeleri ve Aşındırıcı Sanayi ve Ticaret A.Ş. (*) | 2.740          | 1.153.522        |
| Alghanim Industries Office (*)   | -              | 11.975           |
|  | <b>877.332</b> | <b>1.867.591</b> |

| <b>Goods and Service Purchases from Related Parties</b>         | <b>2015</b>      | <b>2014</b>      |
|---|------------------|------------------|
| Saint Gobain İsover(*)  | 1.503.545        | 1.415.219        |
| Grunzweig Hartman AG (*)  | 982.246          | 953.918          |
| Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*)             | 415.764          | 251.158          |
| Saint Gobain Adfors CZ Glass Mat S.R.O.                         | 215.866          | -                |
| Saint Gobain Glass İtalia S.P.A.                                | 38.990           | -                |
| Saint Gobain Conceptions Verrieres                              | 13.336           | -                |
| Saint Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret A.Ş. (*) | 155              | -                |
| Saint Gobain İsover (Almanya) (*)                               | -                | 7.661            |
|   | <b>3.169.902</b> | <b>2.627.956</b> |

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

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

Among its members, Board of Directors has established 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 stakeholder, 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. İzocam Corporate Risk Management Model has been designed as being a guide in the activities and assessments of the working group.

In İzocam 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 Audit Committee too.

## IMPORTANT ISSUES & EVENT AFTER CLOSURE OF ACCOUNTING PERIOD

Nothing important has happened between the period following the end of the accounting period and General Assembly Meeting where the relevant financial statements will be discussed.

## OTHER SUBJECTS

ISIB, that delivered the “Successful Exporters Award” based on their 2014 export volume performances, has awarded Izocam in the category of Insulation Materials in 2015.

Izocam facilities have been awarded the Best Safety Improver 2014 in Occupational Safety category at the DIRUS (Facility Directors) Meeting 2015 organized by Isover.

Once again in 2015, Izocam has won the “Sector Award in Large Scale Business Category” in the “Sectoral Performance Evaluation Organization” conducted by Kocaeli Chamber of Industry.

Izocam General Manager Nuri Bulut awarded as “Best Performing CEO” of 2015 in the category of Building Sector by Harvard Business Review.

Izocam received the “Company rising its Rating the Most in Corporate Governance Index in the last year” 2015 Award in the Corporate Governance Awards Ceremony held by Turkey Corporate Governance Association.

Within the year, a part of our blue-collar workers has been affiliated to Kristal İşLabor 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 jurisdiction is continuing; and we appeal for reversal of the decision, by objecting the decision that the authorized court is İstanbul Çağlayan Court on the grounds that our Company address is at the Anatolian side. We are waiting for the decision of the Court of Appeal.

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.



GIANNI SCOTTI  
Chairman



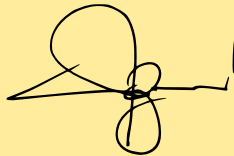
SAMIR MAMDOUH KASEM  
Vice Chairman of the Board



ARNAUD J. GÉRARD MOISSET  
Member



ROBERT THEODOOR GIJSBERT ETMAN  
Member



GÜLSÜM AZERİ  
Member



POL ZAZADZE  
Member



ARİF NURİ BULUT  
Member - General Manager

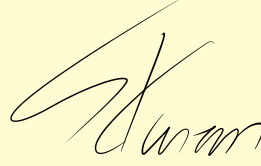
## COMMITMENT REPORT

In this report all the transactions between the parent company and affiliated companies covering the period 01/01/2015 - 31.12.2015 are assessed. The details of all legal transactions between the two companies together with all measures taken if any and all processes which is known by us under any circumstances in 2015 are explained in this report. With respect to fiscal year 2015, there is no loss as a result of the relations between the parent company and İzocam Tic. ve San.A.Ş. and there is not transaction undertaken to offset the loss of parent company.

We hereby declare that in 2015 operating year, İzocam Tic. ve San.A.Ş. has not been exposed to any loss as a result of the transactions performed in accordance with the Article 199 of Turkish Commercial Code No. 6102.



GIANNI SCOTTI  
Chairman



SAMIR MAMDOUH KASEM  
Vice Chairman of the Board

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

### SECTION I – CORPORATE GOVERNANCE PRINCIPLES CONFORMANCE STATEMENT

*In the fiscal year ended on 31 December 2015, our company adopted the principles of equality, transparency, accountability and liability in accordance with the Corporate Governance Principles (The Principles) No: II-17.1 issued by the Capital Markets Board of Turkey on 3 January 2014 and published in the Official Gazette No: 28871. According to the statement of the Capital Markets Board of Turkey in its bulletin no. 2014/1, dated 14 January 2014, the Company is among the BIST 3rd Group Companies. Following an evaluation of 399 criteria defined in the methodology prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., it has been determined that our Company complied with the Principles to a large extent.*

*The Corporate Governance Rating, which was 8,76 on 30 December 2014, increased to 9,16 points (on a scale of 10) on 29 December 2015 as a result of the continued improvement efforts of the Company. As a result: Izocam received “The Company Raised its Rate the Most in Corporate Governance Index the within 2015” Award in the Corporate Governance Awards Ceremony which is held each year by Turkey Corporate Governance Association.*

*Our Company is taking place in Corporate Governance Index since 31.12.2014.*

| TITLES                             | WEIGHT | 2015 SCORE<br>(over 100) |
|------------------------------------|--------|--------------------------|
| Shareholders                       | %25    | 91,79                    |
| Public Disclosure and Transparency | %25    | 93,18                    |
| Stakeholders                       | %15    | 91,93                    |
| Board of Directors                 | %35    | 90,20                    |

*This result indicates that; risks that may arise for the Company are identified at a significant extent and, these risks were brought under control, and the rights of shareholders and stakeholders were protected in a fair manner. Moreover, a high level of performance has been attained in terms of public disclosure and transparency. In this regards, the structure and working conditions of our Board of Directors comply with Corporate Governance Principles.*

*As soon as possible, our company is determined to carry out the improvements required in the category of Board of Directors in which we received the lowest score although the maximum progress was displayed.*

*It is possible to access the Corporate Governance Rating Reports through the Company’s corporate internet site on [www.izocam.com.tr](http://www.izocam.com.tr) and [www.kap.gov.tr](http://www.kap.gov.tr)*

*There is no conflict of interest between Izocam and the institutions which Izocam receive services concerning the issues like investment consultancy and rating. Related with these issues, our company acts within the framework of criteria stated in ethical principles and internal regulations, and shows the utmost care to prevent any conflict.*

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

### SECTION I – CORPORATE GOVERNANCE PRINCIPLES CONFORMANCE STATEMENT (Continued)

*In general, the Company not only fully complies with all mandatory principles, but also in compliance with most of the non-mandatory principles and continues to further improve its Corporate Governance efforts. No conflicts of interest have arisen from points summarized below that are not yet implemented and remain outside the scope of principles currently implemented.*

*Currently, there is only one (1) woman member on the Company's Board of Directors. At the extraordinary general meeting conducted on June 16, 2015, compliance with the article of woman board members, which is recommended in the principles, has been ensured by amending the article 14-1 of our Master Agreement. According to the aforementioned amended article; "In accordance with the Principles of Corporate Governance, attention is going to be paid to increase the number of woman members, with sufficient knowledge and experience, to be nominated at the General Assembly as candidates for the Board of Directors. Besides, in addition to the said arrangement, the necessary policies, to determine a target time and a target ratio no less than 25% for woman members are in the process of development.*

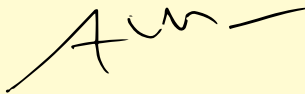
*In accordance with Article 4.6.5 of Corporate Governance Principles, all remunerations as well as all benefits provided to members of the Board of Directors and managers with administrative liability are disclosed to public as an aggregate sum in the annual report*

*In the coming period, as it was in 2015, our ambitious and determined approach to creating solutions for the areas requiring further improvement and compliance will continue, as the Corporate Governance Principles are internalized and regulatory requirements and enhancements are considered.*

### CORPORATE GOVERNANCE COMMITTEE



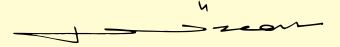
**POL ZAZADZE**  
Chairman



**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 Izocam Ticaret ve Sanayi A.Ş. The activities conducted by the unit are as below:*

*On the date of May 25, 2015, Operating Principles of Investor Relations Unit has been prepared and issued in the company procedures by the senior management responsible for the Investor Relations Unit .*

*Investor Relations Unit has prepared two reports; covering its semi-annual and annual activities of 2015 where the report submitted it to the Board of Directors and Corporate Governance Committee of the Company.*

- 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.*
- There were no written questions submitted to our unit from shareholders 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 put into service.*
- 20 Necessary Material Disclosures in 2015 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.*

*Manager of Investor Relations Unit, Doruk Özcan, continues his full time duty as Assistant General Manager Finance and Administrative Affairs. Doruk Özcan is the holder of Capital Market Activities Advanced Level License and Corporate Governance Rating Certificate License.*

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Fax : 0216 440 40 75  
İpek Gürbey : gurbey@izocam.com.tr  
Dilek Pehlevan : pehlevan@izocam.com.tr*



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

### SECTION II – SHAREHOLDERS (Continued)

#### 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 2015, General Assemblies of the company have convened for once in Istanbul on March 23, 2015 as Ordinary Meeting and once on 16 June 2015 as Extra Ordinary Meeting and quorum of decisions have been constituted. Besides every right owner and beneficiary, media (media organs) have been invited to our general assembly meetings.*

*Decisions taken in Ordinary General Assembly of 2014 has been registered on 27.03.2015 by Istanbul Trade Registry Office and announced on Turkish Trade Registry Gazette dated April 2, 2015 (pages 695-696).*

*The Extra Ordinary General Assembly Convened On 16th June 2015 and unanimously resolved as follows: “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: Qualifications Of The Members Of Board Of Directors And The Way Of Holding The Meetings; Article 15: Management and Representation of the Company; Article 16: Auditors; Article 18: General Assembly Meetings” in The Articles Of Association was Amended. These amendments were registered in Istanbul Trade Registry Office on 26.06.2015 and announced in Turkish Trade Registry Gazette on 02 July 2015 (Pages 297-300).*

*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 financial statements pertaining to the relevant period are open for inspection is stated in these announcements.*

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

### SECTION II – SHAREHOLDERS (Continued)

*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 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.*

*The three of Board Members and Assistance of General Manager Finance and Administration, Corporate Account Manager, Finance Manager, and Auditor who are responsible for preparing of financial statements attended 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 dividend policy, Share Buyback Policy and Donation and Aid policy has been submitted for the information and approval of the shareholders.*

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

*Attendants are informed that; the Shareholders with a management control, Board Members, Senior Managers and their spouses, relatives up to second degree and relatives by marriage, did not perform any transactions that may create conflict of interest with the Company or its affiliated companies.*

#### **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 (Continued)

#### 2.5 Rights to Profit Share

*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.*

*Our Company's dividend policy that was approved at the Ordinary General Assembly held on March 23, 2015 is as below.*

#### ***The profit distribution policy of our company;***

*Our Company distributes dividend to the shareholders provided that it is not less than the calculated distributable profit according to communiqués of the Capital Market Law in consideration of its long-term strategies, investment and finance plans and profitability the business. The dividend payment can be distributed in cash or bonus share (by supplying from the Company resources) as well it may be partly in cash and partly bonus share.*

*The dividend distribution date to the shareholders shall be determined by the General Assembly upon proposal of the Board of Directors.*

*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 for the Shareholders' information and announces to the stakeholders with the activity report and in its website. If the profit distribution is not done, the Board of Directors shall give information to the General Assembly about why it is not distributed and where it is used.*

*According to the Main Agreement; there is no privilege about involvement to profit of the company. Dividends are distributed equally to all current shares regardless of their issuance and acquisition dates.*

*The Company may distribute dividend advance to its shareholders in frame of regulation in the Capital Market Law.*

*"The Profit Distribution Policy" is determined below as stated by the Capital Market Law, the Turkish Commercial Code, tax laws and related legislation provisions and the Main Agreement of the Company.*

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

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

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

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

### SECTION II – SHAREHOLDERS (Continued)

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

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

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

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

#### **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 are 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 both 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 case the interest of 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.*

*Customers, shareholders, employees, suppliers, state and social circle which that are the stakeholders of Izocam, are being informed about the issues concerning them. Information about the material disclosures on PDC, minutes of General Assembly Meetings, independent auditor reports and financial statements, presentations made for individual and institutional investors and reports about the company prepared by the third parties is communicated through publication on the printed and visual media channels and on our internet site*

*Company's entire financial statements and information that are open to public are being shared with the public in an accurate, complete, fair, valid and intelligible way by Izocam Investor Relations Unit.*

*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 generating the customer satisfaction in marketing and sales of all goods and services. The customer satisfaction is reported and followed regularly and policies are changed when necessary.*

**Shareholders:** *Codetermination of the shareholders and protection of their rights is provided by considering relevant laws and legislation.*

**Employees:** *Platforms are created where employees can share their demands, suggestions and views on the intranet environment, besides being included into the decision-making procedures within the framework of their powers and responsibilities. In line with the System of Suggestions and Awards, the views of our participant employees are evaluated and awarded by the competent bodies.*

**Vendors and Customers:** *Our Company has 117 vendors at home and 19 abroad. An independent company is regularly conducting vendor satisfaction surveys and the results are presented to the managers through contract meetings. Necessary updates are performed after the views of the vendors and customers obtained through the surveys are evaluated by the authorized departments.*

*In addition, the vendors are informed about the strategies and plans of the Company at the events arranged within the year. In parallel with a more efficient, productive and higher quality service concept, conducting meetings with stakeholders, which plays an active role in the formation of Company policies and decisions, and taking action by assessing the results is an important part of the accession period. Our partners other than the controlling shareholders participating in the management directly are participating in the management through the General Assemblies conducted.*



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

### SECTION IV – STAKEHOLDERS (Continued)

*As of March 17, 2010, our Company has started to use DBS that offers a different and new collateralization for collecting the debts. The banks contracted under this system determine credit limit for the vendors of the Company instead of the Company itself, make the collection and keep the collected amounts in the blocked account for one day before transferring into the corporate account. All of the domestic vendors have preferred collecting through DBS as of 31.12.2015*

*The orders are received and followed up through the “İzocam24 Portal” link specially designed for the vendors on the internet. 109 domestic vendors and some customers are executing their orders through “İzocam24 Portal”.*

*Process Monitoring Unit created under the marketing department follows-up the processes by providing the necessary guidance for the design of the processes needed and also the analyses related with the requirements of the company, and performs studies to set up a substructure necessary for the reorganization of the fields in need of improvement.*

#### **4.3. Human Resources Policy**

*Company’s Human Resources Policy is approved by Board of Directors Resolution on 17th February 2015 as below.*

*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 recruitment and promotion of staff and relevant mechanisms are specified in written format where our goal in Human Resources is to develop the competency of our human power continuously and maintain our lasting superiority in global competition environment by remaining royal 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.*

*Both job definition and allocation of responsibility along with the performance and awarding criteria are all disclosed to all employees. 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*

*Financial results of the company together with the subjects related with career, wage, training, health are all informed to employees through informative meetings. 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*

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

### SECTION IV – STAKEHOLDERS (Continued)

*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.*

*Indemnity policies for the Company employees have been established and announced to the public on corporate internet site.*

#### **Training and Development of the Employees**

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

*During 2015 the following figures are achieved;*

*Outdoor Trainings: 5.616 hours,*

*Indoor Trainings: 12.894 hours*

*E-Training: 1.238 hours*

*Total Training Hours: 19.748 hours*

*Training hours per capita: 44 hours (by the end of December 2015 - average person 448)*

#### **Intercommunication and Social Activities**

*“Communication Plan and Procedure” that was prepared in the previous year with the aim of providing effective information flow between the employees and the company has been implemented in 2015, and various communication activities are carried out within the year.*

- *General Director –New Year Informative Speech (to the employees).*
- *General Director – Seminar on Behavior and Working Principles (to the employees).*
- *General Director – Social Sex Discrimination (to the employees and vendors).*
- *50th Year Premiere Night For the Employees (paired participation – In Istanbul and Mersin).*
- *Visual application of Honor Wall, which bears the names of all the employees, served for Izocam since 1965.*
- *Celebrations have been made via social media and intracompany e-mail notifications on feasts and special occasions.*
- *Intercommunication activities, like the design and standardization of the notification e-mail templates, have been carried out.*

*With the aim of intensifying the motivation and deepening the commitment of the employees:*

- *Individual Pension*
- *Private Health Insurance*
- *Self-improvement Trainings*
- *Theatre, Movie, Exhibition and Travel Activities*
- *Employees Night Celebrations*
- *50th Year in 2015 Premiere Night*
- *Circumcision Feast for the Children of the Employees*
- *Merry Holiday and New Year Celebrations*
- *Celebrations on Birthdays*

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

### SECTION IV – STAKEHOLDERS (Continued)

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

##### 4.4.1 Insulation Foremen Trainings

Since 2004 İzocam training team composed of architectures, engineers and technicians that are expert in their fields, arranges monthly trainings in İzocam Ateliers within the Turkey Training Site under the supervision of expert teaching assistants assigned by Ministry of National Education

İzocam 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 installment business. MYB Foreman Training Professional Competency of Thermal Insulation” trainings are planning to be hold on the dates 18-22 January, 15-19 February, 14-18 March, 11-15 April, 24-28 October, 21-25 November and 19-23 December in 2016.

Trainings are carried out by İzocam 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.

In Thermal Insulation Foremen Training carried out in two phases first as theoretical and then 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 providing 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. MYK Professional Competency Certificate is an accredited document having both international 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 S&G Rigips between 5-8 January 2016 and 12-15 January 2016 besides the “Thermal Insulation” trainings. The attendants subjected to Professional Competency test at the end of these trainings lasted 4 days.

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

### SECTION IV – STAKEHOLDERS (Continued)

*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 1.700 successful masters as of the end of December 2015.*

*In all of our trainings our goal is to improve the quality of employees working in the field of insulation and to provide them 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 saving, making the most of insulation comfort and protecting the environment through insulation is relayed to the attendants in all our trainings.*

#### **4.4.2 İzodemi Trainings**

*Izocam organizes Izodemi trainings for its vendors and vendor's customers every year since 2012. Trainings are performed every year with a different theme.*

*We organized "Effective Sale Trainings" in 2015. Training Programme included headings like "what is sale?", "phases of sale", "methods for persuasion", "what is a classic sale?", "what is a big sale?", "clever questions during sale" as well as the case studies and useful information on closing the sale.*

*More than 260 professional from the industry participated in trainings held on 7 October in Samsun, 14 October in Bursa, 20 October in Antalya, 21 October in İzmir, 22 October in Ankara, 11 November in Istanbul, 17 November in Erzurum, 19 November in Trabzon, 24 November in Adana and 26 November 2015 in Elazığ. Within the scope of Izodemi trainings that is one of the trainings Izocam organizes for its vendors and vendor customers, nearly 128 trainings have been given to some 2.800 people until today.*

#### **4.4.3 İzocam 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 18 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.*

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

### SECTION IV – STAKEHOLDERS (Continued)

*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. Research conducted so far shows that, the insulation applications performed according to the standards provide savings up to %30-%80, when compared with the buildings 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.*

*43 thousand days of education is provided to 20 thousand people within the context of trainings offered by İYEM for 18 years from November 1998 to 31 December 2015. (18.930 days, 42.548 people as of 31 December 2014). 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 is quoted to 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.*

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

### SECTION IV – STAKEHOLDERS (Continued)

#### 4.5.1. Social Responsibility Projects

##### **OZİ**

*With a project called “Energy Efficiency and the Importance of Insulation”, İzocam aims raising the awareness of children about the things that must be done in order to save 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 OZİ Project, which started in 2010 for primary school students and ended in June 2015, explaining the “Energy Saving and the Importance of Insulation” to children, we reached to 100 thousand children and therefore 100 thousand families in a total of 350 schools in Istanbul, Ankara, Kocaeli and Eskişehir.*

*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.*

##### **İzocam Contest For Students**

*In an effort to ensure the expansion of insulation consciousness among the university students, the interoperability between disciplines and the improvement of skill, İzocam organizes “The Insulation Contest for University Students” since 1999. İzocam also takes a step further to carry the contest to international arena by participating International Insulation Contest held by Isover since 2009.*

*Every year, top three winners among the students who applied to the contest with their projects within the framework of the theme stated, represent our country in abroad by competing with the students from other countries. Due to this contest, they find the opportunity of both being acquainted with other students and instructors of other countries and also seeing the architectural structure, geography and historical artifacts of the country, they visited.*

*At the international stage of the contest held for the 15th time in 2015, the finalists of İzocam Insulation Contest for Students appeared before the jury in Astana/ Kazakhstan, and brought the Jury’s Special Award to our country.*

*The name of the insulation contest has been changed to “İzocam Student Contest” at the end of 2015. This year’s subject of the contest, which is open to the participation of undergraduate and postgraduate students attending to university education already, is “Sustainable and Reproducible Settlement in Social and Climatic Terms”. National leg of the contest that is announced as “One Scenario/ One Project” has been rendered two-phased. Students will present the sustainable life scenarios they prepared for the first phrase to jury members on March 17, 2016. The teams considered as successful will move to the second phase and design the housings that are the basic unit of the living quarters. The first three projects appreciated by the jury will be entitled the right to participate in international contest to be held in Minsk besides the monetary award. Entire process of the contest is being carried out through [www.izocamogrenciyarismasi.com](http://www.izocamogrenciyarismasi.com) website.*



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

### SECTION IV – STAKEHOLDERS (Continued)

#### ***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.*

#### **4.5.2 Social Media Campaigns**

##### ***Love Thermometer Micro Site Application and Activity***

*A micro site application has been started on [www.asktermometresi.com](http://www.asktermometresi.com) web site on February 9, 2015 and it has been announced on February 10, via 100 news portal and blogs with an advertisement campaign targeting the ones that may be interested with the theme of love. The aim was to measure their harmony by asking the couples to enter the data related with their names, cities, date of birth and age into the system and to ensure that they share the result on their Facebook accounts. The application involved pretty funny and amusing results for the single ones and the ones wanting to measure their love with the celebrities. A witty analogy has been made between the heat of love and preservation of ambient temperature by the Izocam through insulation.*

*Despite the very-low advertising budget, the micro site has been reached to more than 10 thousand users during the February 9-14 period since February 14 is a period where the lovers' perception of love is clear.*

*Another aim of the campaign was to provide the potential customers to touch the product during the activity conducted at shopping centers by cutting the Insulating Foamboard, produced in pink color, in the shape of a heart. Our slogan for the campaign was "As Love thermometer measures the heat of love, Izocam preserves the heat of love through the hearts manufactured from Insulating Foamboards". Within 6 hours, more than 1000 photographs have been taken before the heart models made of foamboard and activity has reached to more than 84 thousand views on Instagram.*

*On the day of activity, Love Thermometer stands and online mechanism for the application have been installed in the most popular shopping centers Brandium, Kanyon and Capacity located in three different regions of Istanbul. Heart shaped Foamboards have been placed to stands visibly and presented to the visitors in the hands of hostesses. Seeing the Foamboards, visitors filled the stands and took photos with their beloved ones with the Foamboard heart in their hands. The photographs have been shared on Instagram with a special hashtag (#asktermometresi) and issued on the Facebook, Twitter, and Instagram accounts of Izocam. We reached to 33.888 person through the posts shared. Simultaneously, printouts of the photos with Izocam logo and special design frame have been taken through the Presstagram device and presented to the visitors. In that way, the participants have preserved the warmth of that moment forever. Thus, it became possible for the visitors to both touch the product and become familiar with the brand.*

*On the other side, the campaign was also announced to the Izocam employees and they were invited to the activity area. Izocam employees supported the campaign by visiting the activity areas together with their families and beloved ones and informing their friends. Thus, they take the opportunity to act as an ambassador of the brand they work for.*

*Besides, we ran the Love Thermometer application on Facebook for the visitors via the laptop and led screen plasma installed on the stands and directed them to the micro site prepared.*

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

### SECTION IV – STAKEHOLDERS (Continued)

#### **Twitter Wall Campaigns**

##### **Twitter Wall Campaign on January 2015**

Our first campaign over the <https://twitter.com/izocamofficial> account was on 19-22 January 2015. Questions on the issue of Practical Information Related with Insulation were asked everyday between the hours of 10:30 – 11:30 and 4 alternatives were provided for the answer. According to the format, the followers were asked to answer the questions under the hashtag of #hangisidogru. 43 followers joined to the contest under this hashtag and 34 of them answered correctly.

1., 5., 10., 15., 20., 25., 30., 35., 40. and 50th followers who give the correct answer to the easy, informative and entertaining questions are presented with an 8 GB USB in the shape of a credit card, bearing the 50th year logo of Izocam.

The number of our followers increased by 2.5 times and reached to 3,450 from 1,339 with the impact of the campaign.

##### **Twitter Wall Campaign on June 2015**

The campaign took place between the dates of June 30 and July 3 under <https://twitter.com/izocamofficial> account. In the contest titled Rational Solutions Related with Insulation, questions were asked everyday between the hours of 10:30 – 11:30 related with practical information, and four alternatives were provided to answer. 823 followers joined to the contest during these four days and 769 of them answered correctly.

1., 5., 10., 15., 20., 25., 30., 35., 40. and the 50th followers who gave the correct answer to the easy, informative and entertaining questions are presented with a 8 GB USB in the shape of a credit card, bearing the 50th year logo of Izocam.

In consequence of this campaign, the visibility of our tweets has increased by 6 times and reached to 3,461 from 525. The number of our followers which was 6,025 before the campaign reached to 6,691 displaying 11% increase.

#### **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 rules 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 vendor satisfaction.

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

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

### 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 23 March 2015 and continuing to their tasks within the period is submitted below:***

#### **MR. GIANNI SCOTTI**

*Graduated from the Industrial Chemistry Department of Milan University, Gianni Scotti has been working since 1982 in various departments of Saint Gobain companies. The responsibility area of Scotti, who serves as Saint Gobain's Mediterranean Region Representative and General Director of Mediterranean Region consisting of Italy, Egypt, Turkey and Greece, has been extended to cover Spain, Italy, Portuguese, Greece, Morocco, Algeria, Tunisia and Libya as of January 2016. Gianni Scotti continues to serve as the managing Director of Italy, Greece and Switzerland units of Saint Gobain.*

*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 Chairman of our Company.*

#### **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 Vice Chairman.*

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

### SECTION V- BOARD OF DIRECTORS (Continued)

#### **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.*

#### **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.*

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

### SECTION V- BOARD OF DIRECTORS (Continued)

#### **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.*

#### **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 GazveEnerji 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" (TİM), 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" (DEİK). 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 Izocam 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 Izocam Tic. ve San. A.Ş. or its related parties.*

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

### SECTION V- BOARD OF DIRECTORS (Continued)

#### **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 (Continued)

#### ***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 Ticaretve 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 (Continued)

#### 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 (Continued)

#### 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                         | Member         |
| Pol Zazadze                       | Arnaud Moisset |
|                                   | Robert Etman   |
|                                   | Doruk Özcan    |
| Early Detection of Risk Committee |                |
| President                         | Member         |
| Pol Zazadze                       | Arnaud Moisset |
|                                   | Robert Etman   |
| Audit Committee                   |                |
| President                         | Member         |
| Pol Zazadze                       | Gülsüm Azeri   |

*Board of Directors Members elected at the General Assembly Meeting held in 23 March 2015 convened in 22 April 2015 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 onewoman 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 seven 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 (Continued)

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

*In order to keep the efficiency of internal control systems in a way to involve operational activities and information systems processes, the Board of Directors has formed an Early Risk Detection Committee on the purpose of minimizing the risks that might affect the stakeholders.*

*Early Detection of Risk Committee has claimed to follow a systematic process 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 with 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 are determined; risk-control matrixes belonging to these processes are created and integrated with the internal control system. 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 may arise if the risks are realized, to assess the current controls and to ensure management of risks effectively by means of 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, Reference Book of Izocam Interior Control System, which also contains the interior control activities providing the efficiency of risk management process, has been prepared.*

*Efficiency of the interior control system is tested through the inter-corporate controls also. Directorate of interior control works under the General Manager and it 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 structure. 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 separate meeting minutes.*

*Board of Directors' committees has continued their activities in compliance with regulations also in 2015. The Early Risk Detection Committee convened five times within the year and submitted their reports to the Board of Directors after evaluating the potential risks that the company may experience. Improvement activities belonging to the established potential risks are monitored in close connection with the senior management.*

*The Audit Committee of the Company convened seven times within the year. The financial reports are examined, interviews are made with independent auditing and tax firms, and the internal control system of the company is revised continuously by sharing the results of the audit.*

*Committees records the notes of the meetings by arranging separate meeting minutes with the signatures of the members and submits them to the opinion of the Board of Directors.*

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

### SECTION V- BOARD OF DIRECTORS (Continued)

#### 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 prepared within first six-months of each year in a way to involve three-year periods so as to include previous three-year trends.*

*The short-term plans are made for the 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.*

#### 5.6. Financial Rights

*It was submitted “Pricing Codes Related With The Board Of Directors Members And Senior 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 23.03.2015 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 favor 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.*

#### **Pricing Codes Related With The Board of Directors Members and Senior Executives**

##### **Goal and Scope**

*Pricing codes involves the members of the Board of Directors and senior executives. Its scope is to ensure the planning, execution and management of practices related with pricing, in compliance with the relevant legislation and the scope and structure, strategies, long-term goals and risk management structures of company activities.*

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

### SECTION V- BOARD OF DIRECTORS (Continued)

#### **Principles and Code of Practice**

- *Salaries of Board of Directors Members are determined by the general assembly upon the proposal of shareholders.*
- *The Board of Directors in accordance with this policy determines salaries of Senior Executives.*
- *It is observed to ensure that the salaries of independent board of directors' members shall be suitable to maintain the independency. Besides, plans based on the performance of the company, share of profit and share options are not used.*
- *"Pricing Codes Related with the Board of Directors Members and Senior Executives" is submitted for the information of the shareholders as a separate item in general assembly. Besides, it is kept on the website of the company. In case of there being a change in this regulation, same method is repeated.*
- *Company cannot advance money to any board of directors' member or senior executive, provide credit facilities, provide credit under the name of personal credit through the agency of a third party or cannot provide securities like bail in favor of.*
- *The salaries paid to the board of directors' members and senior executives and all other advantages offered to them are declared to the public through the annual activity report.*

#### **Authorized Committee**

- *Company corporate governance committee prepares a proposal related with pricing based on the performance of senior executives, by taking into consideration the long-term goals of the company and submits this proposal to the board of directors. While the Board of Directors determines the salaries of senior executives, the Pricing Codes of Board of Directors' Members is decided at the General Assembly as an agenda item. Execution of these processes by the corporate governance committee do not annihilates the responsibility of the board of directors or the auditor.*
- *Equal pay for equal performance principle is adopted. The salaries are balanced by taking into consideration the features like the importance, complexity and responsibility, risk of the task.*
- *When discharging its responsibility and fulfilling its task, committee examines all kinds of documents it needs related with the pricing.*
- *Besides the legislation, committee also takes into consideration the current financial position of the company, its targets and future revenues when deciding.*



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

### SECTION V- BOARD OF DIRECTORS (Continued)

#### **Pricing**

*Fixed Fee Payments: It is the cash payment rendered regularly in fixed amounts every month independent of performance. Fixed Fee is determined by taking into consideration the experience and specifications required for each position, according to the extent of duties and responsibilities.*

*Salary Rises: General salary rises are given in a ratio determined by the Board of Directors by taking into consideration also the company performance and market conditions once a year in January. Based on the position changes/promotion and other grounds, changes in salary can be made apart from annual general salary rise by the decision of company management.*

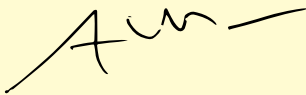
*The amounts determined according to the above-mentioned principles and paid to the Board Members and the Top Executives within the year are reported in the activity report.*

*No debt was given to any Board Member within the year and no loan was extended on behalf of him/her or on behalf of a third person. There are not also any such transactions in the former years.*

### CORPORATE GOVERNANCE COMMITTEE



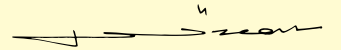
**POL ZAZADZE**  
Chairman



**ARNAUD MOISSET**  
Member



**ROBERT ETMAN**  
Member



**DORUK ÖZCAN**  
Member

## STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY ISSUED AS PER 9TH ARTICLE OF THE SECOND SECTION OF THE CAPITAL MARKETS BOARD "COMMUNIQUE ON THE PRINCIPLES OF FINANCIAL REPORTING IN THE CAPITAL MARKETS"

PURSUANT TO THE BOARD OF DIRECTORS REGARDING THE APPROVAL OF THE FINANCIAL STATEMENTS AND THE ANNUAL REPORT

DATE: 15.02.2016  
DECISION N. 757

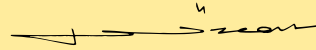
The Board of Directors' Annual Report and the financial statements prepared by Ernst&Young (EY) / Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and issued on the 31st of December 2015 and approved by the Board of Directors of our Incorporation with the Board decision n.757 (date:15.02.2016), are given in the annex. Thus, we do declare that;

- a) We have reviewed the abovementioned financial statements and the Annual Report,
- b) Within the framework of the information we obtained in the scope of our tasks and responsibilities, we have concluded that the financial statements and the Annual Report do not include any misleading disclosure of matters or deficiencies that might cause misconception about the disclosure as of the date its was made,
- c) Within the framework of the information we obtained in the scope of our tasks and responsibilities, we have also concluded that; (i) the financial statements, prepared and issued in accordance with the financial reporting standards, honestly reflects facts about the assets, liabilities, financial status, profit/loss of the Incorporation, and (ii) the Annual Report honestly reflects the progress and performance of the business, the financial situation of the Company together with the activities, as well as the important risks and uncertainties.

Best regards,  
Izocam Tic. ve San. A.Ş.



**ÖNER TORUN**  
Corporate Accounting Manager



**DORUK ÖZCAN**  
Asst. General Manager  
Finance - Administration

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

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

*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**

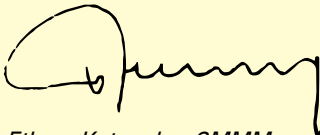
*The company created its early detection of risk system and committee on 3 April 2013 and the committee is composed of three members. Between its foundation date and report date, the committee has worked with the aim of early detection of causes that endangers the existence and development of the company, management of risk and taking necessary measures and remedies for this end. Committee convened five times in 2015 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  
İstanbul, 15 February 2016*

## 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 2015 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 15 February 2016, 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.*

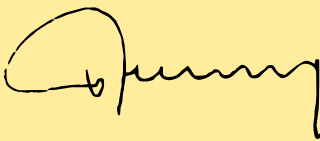
### **Opinion**

*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*

*23 February 2016 İstanbul, Türkiye*

## INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

### **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 2015 and the related statement of profit or loss, statement of 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 financial statements in accordance with the Turkish Accounting Standards published 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 and fair presentation of consolidated 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 Auditing Standards which are part of the Turkish Auditing Standards as standards on auditing issued by POA. 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 independent audit 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 independent audit is sufficient and appropriate to provide a basis for our audit opinion.

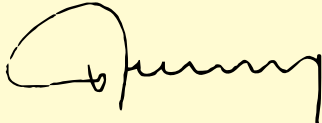
### **Opinion**

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 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on independent auditor's responsibilities arising from other regulatory requirements

1. Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 15, 2016.
2. In accordance with paragraph 4 of 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 2015 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, February 15, 2016

**İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ**  
**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS**  
**AND NOTES AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**



# 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, 2015

ANNEX-1

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

|                                    |      |                                 | Audited                       |
|------------------------------------|------|---------------------------------|-------------------------------|
|                                    | Note | Current period<br>Dec. 31, 2015 | Prior Period<br>Dec. 31, 2014 |
| <b>ASSETS</b>                      |      |                                 |                               |
| <b>Current Assets</b>              |      |                                 |                               |
| Cash and Cash Equivalents          | 5    | 8.550.175                       | 38.840.818                    |
| Trade Receivables                  | 7    | 105.577.024                     | 95.509.532                    |
| Due From Related Parties           | 4    | 594.290                         | 578.256                       |
| Due From Third Parties             |      | 104.982.734                     | 94.931.276                    |
| Inventories                        | 9    | 34.301.646                      | 25.002.369                    |
| Prepaid Expenses                   | 15   | 3.363.799                       | 704.391                       |
| Other Current Assets               | 17   | 1.434.689                       | 2.629.762                     |
| <b>TOTAL CURRENT ASSETS</b>        |      | <b>153.227.333</b>              | <b>162.686.872</b>            |
| <b>Non-Current Assets</b>          |      |                                 |                               |
| Other Receivables                  | 8    | 13.022                          | 94.507                        |
| Due From Third Parties             |      | 13.022                          | 94.507                        |
| Property, Plant and Equipment, net | 10   | 87.572.797                      | 89.521.397                    |
| Intangible Assets, net             | 11   | 111.958                         | 43.963                        |
| Other Intangible Assets            |      | 111.958                         | 43.963                        |
| Prepaid Expenses                   | 15   | 7.553.729                       | 83.090                        |
| Other Non-Current Assets           | 17   | 14.612                          | 14.597                        |
| <b>TOTAL NON-CURRENT ASSETS</b>    |      | <b>95.266.118</b>               | <b>89.757.554</b>             |
| <b>TOTAL ASSETS</b>                |      | <b>248.493.451</b>              | <b>252.444.426</b>            |
| <b>LIABILITIES</b>                 |      |                                 |                               |
| <b>Current Liabilities</b>         |      |                                 |                               |
| Financial Liabilities              | 6    | 20.558.313                      | 16.870.466                    |
| Trade Payables                     | 7    | 39.970.785                      | 23.501.584                    |
| Due To Related Parties             | 4    | 527.205                         | 382.628                       |
| Third Party Payables               |      | 39.443.580                      | 23.118.956                    |

# 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, 2015

### ANNEX-1

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

|  |      |                                 | Audited                       |
|--|------|---------------------------------|-------------------------------|
|  | Note | Current period<br>Dec. 31, 2015 | Prior Period<br>Dec. 31, 2014 |
| Employee Benefit Obligations   | 14   | 5.286.288                       | 5.325.742                     |
| Other Payables   | 8    | 19.613                          | 14.010                        |
| Third Party Payables   |      | 19.613                          | 14.010                        |
| Deferred Income  | 16   | 15.793.819                      | 7.721.212                     |
| Current Tax Liability  | 26   | 1.536.588                       | 1.328.736                     |
| Short Term Provisions  |      | 166.967                         | 124.646                       |
| Other Short-Term Provisions  | 12   | 166.967                         | 124.646                       |
| Other Current Liabilities  | 17   | 553.174                         | 1.772.136                     |
| <b>TOTAL CURRENT LIABILITIES</b>   |      | <b>83.885.547</b>               | <b>56.658.532</b>             |
| <b>Non-Current Liabilities</b>   |      |                                 |                               |
| Long Term Provisions   | 12   | 9.145.537                       | 9.241.046                     |
| Provision For Long Term Employee Benefits  |      | 9.145.537                       | 9.241.046                     |
| Deferred Tax Liabilities   | 26   | 409.005                         | 734.774                       |
| <b>TOTAL NON-CURRENT LIABILITIES</b>   |      | <b>9.554.542</b>                | <b>9.975.820</b>              |
| <b>EQUITY</b>  |      |                                 |                               |
| Paid-in Capital  | 18   | 24.534.143                      | 24.534.143                    |
| Adjustment on Capital  | 18   | 25.856.460                      | 25.856.460                    |
| Share Premiums   | 18   | 1.092                           | 1.092                         |
| Other Comprehensive Income / Expense<br>Not to be Reclassified to Profit or Losses |      |                                 |                               |
| Revaluation and Remeasurement Profit / (Losses)                                    |      | (2.325.609)                     | (3.311.111)                   |
| Restricted Reserves On Retained Earnings   | 18   | 41.544.510                      | 35.730.705                    |
| Retained Earnings  |      | 37.820.235                      | 35.293.660                    |
| Net Profit For The Period  |      | 27.622.531                      | 67.705.125                    |
| <b>TOTAL EQUITY</b>  |      | <b>155.053.362</b>              | <b>185.810.074</b>            |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |      | <b>248.493.451</b>              | <b>252.444.426</b>            |

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

# 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, 2015

ANNEX-2

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

|   |           | Audited  |  |
|---|-----------|--|--|
|   | Note      | Current period<br>January 1 -<br>Dec. 31, 2015 | Prior Period<br>January 1 -<br>Dec. 31, 2014 |
| Revenues  | 19        | 370.482.364                                    | 362.921.190                                  |
| Cost of Sales (-)   | 19        | (283.111.719)                                  | (276.517.358)                                |
| <b>GROSS PROFIT</b>   |           | <b>87.370.645</b>                              | <b>86.403.832</b>                            |
| Marketing, Sales And Distribution Expenses (-)              | 20        | (38.319.633)                                   | (37.784.393)                                 |
| Administrative Expenses (-)                                 | 21        | (15.757.695)                                   | (13.263.144)                                 |
| Other Operating Income                                      | 23        | 7.429.667                                      | 8.205.199                                    |
| Other Operating Expense (-)                                 | 23        | (1.512.577)                                    | (1.012.613)                                  |
| <b>OPERATING PROFIT</b>                                     |           | <b>36.785.841</b>                              | <b>34.742.840</b>                            |
| Income From Investment Activities                           | 24        | 103.452  | 42.913.655                                   |
| <b>OPERATING PROFIT BEFORE FINANCE COSTS</b>                |           | <b>37.181.697</b>                              | <b>34.653.605</b>                            |
| Finance Income  | 25        | 699.220  | 1.428.168                                    |
| Finance Costs (-)   | 25        | (5.275.003)                                    | (2.225.615)                                  |
| <b>PROFIT BEFORE TAX FROM<br/>CONTINUING OPERATIONS</b>     |           | <b>34.738.076</b>                              | <b>84.665.089</b>                            |
| <b>Tax Income/(Expense) From Continuing Operations</b>      |           | <b>(7.115.545)</b>                             | <b>(16.959.964)</b>                          |
| Current Tax Income/(Expense)                                | 26        | (7.687.689)                                    | (16.867.479)                                 |
| Deferred Tax Income/(Expense)                               | 26        | 572.144  | (92.485)                                     |
| <b>NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b> |           | <b>27.622.531</b>                              | <b>67.705.125</b>                            |
| <b>NET PROFIT FOR THE PERIOD</b>                            |           | <b>27.622.531</b>                              | <b>67.705.125</b>                            |
| <b>Earnings Per Share</b>                                   | <b>27</b> | <b>0,011</b>                                   | <b>0,027</b>                                 |
| Earnings Per Share From Continuing Operations               |           |  |  |
| <b>Diluted Earnings Per Share</b>                           |           | <b>0,011</b>                                   | <b>0,027</b>                                 |
| 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                      | 12        | 1.231.877                                      | 44.671                                       |
| Deferred Tax Effect Of Remeasurement Of Defined Benefit     | 26        | (246.375)                                      | (8.934)                                      |
| <b>OTHER COMPREHENSIVE INCOME</b>                           |           | <b>985.502</b>                                 | <b>35.737</b>                                |
| <b>TOTAL COMPREHENSIVE INCOME</b>                           |           | <b>28.608.033</b>                              | <b>67.740.862</b>                            |

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

STATEMENT OF CHANGES IN EQUITY FOR  
THE YEAR ENDED DECEMBER 31, 2015

ANNEX-3

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

|                            | Note | Paid-in capital | Adjustment on capital | Share premiums | Revaluation and remeasurement gains/(losses) | Retained earnings   |                   |                       |  | Total equity |
|----------------------------|------|-----------------|-----------------------|----------------|--|---------------------|-------------------|-----------------------|--|--------------|
|                            |      |                 |                       |                |  | Restricted reserves | Retained earnings | Net profit for period | Items not to be reclassified to profit or loss |              |
|                            |      |                 |                       |                |  |                     |                   |                       |  |              |
| 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                  | 18   | -               | -                     | -              | -  | -                   | (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  |
| January 1, 2015            |      | 24.534.143      | 25.856.460            | 1.092          | (3.311.111)                                  | 35.730.705          | 35.293.660        | 67.705.125            |  | 185.810.074  |
| Transfers                  |      | -               | -                     | -              | -  | 5.813.805           | 61.891.320        | (67.705.125)          |  | -            |
| Dividends                  | 18   | -               | -                     | -              | -  | -                   | (59.364.745)      | -                     |  | (59.364.745) |
| Total comprehensive income |      | -               | -                     | -              | 985.502                                      | -                   | -                 | 27.622.531            |  | 28.608.033   |
| Other comprehensive income |      | -               | -                     | -              | 985.502                                      | -                   | -                 | -                     |  | 985.502      |
| Net Profit for the period  |      | -               | -                     | -              | -  | -                   | -                 | 27.622.531            |  | 27.622.531   |
| December 31, 2015          |      | 24.534.143      | 25.856.460            | 1.092          | (2.325.609)                                  | 41.544.510          | 37.820.235        | 27.622.531            |  | 155.053.362  |

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

# 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, 2015

### ANNEX-4

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

|   |      | Audited  |  |
|---|------|--|--|
|   | Note | Current Period<br>January 1 –<br>Dec. 31, 2015 | Prior Period<br>January 1 –<br>Dec. 31, 2014 |
| <b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |      | <b>36.504.241</b>                              | <b>31.007.386</b>                            |
| Net Profit  |      | 27.622.531                                     | 67.705.125                                   |
| <b>Adjustments for reconciliation of profit for the period</b>              |      | <b>19.881.714</b>                              | <b>(11.242.321)</b>                          |
| Adjustment for depreciation and amortization                                | 22   | 10.923.265                                     | 11.278.688                                   |
| Adjustment for provision for employee termination benefits                  | 12   | 569.292  | 569.293                                      |
| Adjustment for provision for unused vacation pay liability                  | 12   | 240.748  | 197.018                                      |
| Adjustment for provision of doubtful receivables, net                       | 7    | 71.103   | 598.367                                      |
| Adjustment for provisions   | 12   | 4.372.177                                      | 6.990.023                                    |
| Adjustment for interest and foreign exchange expense                        |      | 5.943.941                                      | 2.244.644                                    |
| Adjustment for interest and foreign exchange income                         |      | (6.685.236)                                    | (7.687.832)                                  |
| Adjustment for increase on blockage accounts                                | 5    | (2.683.586)                                    | 521.169                                      |
| Adjustment for tax expense  | 26   | 7.233.462                                      | 16.959.964                                   |
| Adjustment for (gains)/losses on sale of property, plant and equipment, net | 24   | (103.452)                                      | (42.913.655)                                 |
| <b>Changes in working capital</b>   |      | <b>1.152.299</b>                               | <b>(25.455.418)</b>                          |
| Adjustment for increase on stocks   |      | (9.012.697)                                    | (557.749)                                    |
| Adjustment for increase on trade receivables                                |      | (4.152.579)                                    | (2.810.146)                                  |
| Adjustment for increase/(decrease) on trade payables                        |      | 16.469.201                                     | 293.278                                      |
| Adjustment for increase on prepaid expenses                                 |      | (10.130.047)                                   | 709.597                                      |
| Adjustment for other (increase)/decrease in working capital                 |      | 7.978.421                                      | 1.392.399                                    |
| Tax payments  | 26   | (7.479.837)                                    | (17.339.555)                                 |
| Provisions paid   | 12   | (4.329.856)                                    | (6.481.537)                                  |
| Employee severance indemnity paid   | 12   | (342.610)                                      | (661.705)                                    |

# 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, 2015

### ANNEX-4

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

|  |          |  | Audited                                      |
|--|----------|--|--|
|  | Note     | Current Period<br>January 1 –<br>Dec. 31, 2015 | Prior Period<br>January 1 –<br>Dec. 31, 2014 |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>   |          | <b>(9.225.788)</b>                             | <b>37.156.527</b>                            |
| Cash outflows from the purchase of property, plant and equipment and intangible assets | 10,11    | (9.354.509)                                    | (9.173.049)                                  |
| Cash inflows from the sale of property, plant and equipment and intangible assets      |          | 128.721  | 46.329.576                                   |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>   |          | <b>(60.160.059)</b>                            | <b>(35.632.129)</b>                          |
| Increase/(decrease) in bank borrowings and other financial liabilities                 |          | 3.687.847                                      | (4.420.994)                                  |
| Interest paid  |          | (5.275.003)                                    | (1.543.328)                                  |
| Dividends paid   | 18       | (59.364.745)                                   | (30.211.025)                                 |
| Interest received  |          | 791.842  | 543.218                                      |
| <b>Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)</b>                    |          | <b>(32.881.606)</b>                            | <b>32.531.784</b>                            |
| <b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>                         | <b>5</b> | <b>33.710.608</b>                              | <b>1.178.824</b>                             |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D)</b>                        | <b>5</b> | <b>829.002</b>                                 | <b>33.710.608</b>                            |

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



# 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, 2015

(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, 2015, 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 95,07 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 December 26, 1985. As at December 31, 2015, 38,84 percent of the shares are publicly traded at BİST (December 31, 2014: 38,84%).*

*As of December 31, 2015, total number of employees of the Company is an average basis 458 (December 31, 2014: 435) including 218 white collar employees (December 31, 2014: 201) and 240 blue collar employees (December 31, 2014: 234).*

*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, 2015**

(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 June 13, 2014 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, 2015 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 February 15, 2016. 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, 2014.

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.

**d) Going concern**

Going concern The Company prepared financial statements in accordance with the going concern assumption.

**Additional paragraph for convenience translation to English**

As at December 31, 2015, the accounting principles described in Note 2 (defined as TAS/TFRS) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the TAS/TFRS. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

(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 Changes in accounting policies**

*The Company has consistently applied the following accounting policies to all periods presented in these financial statements.*

**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.*

**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.*

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

(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 Changes in accounting policies (Continued)**

##### **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.*

##### **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 10).*

*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.*

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

(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 Changes in accounting policies (Continued)****c) Property, plant and equipment (Continued)****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.

**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. Leasehold improvements 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 |
|--------|-----------|

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

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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)****2.2 Changes in accounting policies (Continued)****d) Intangible assets (Continued)****Development costs**

Development costs are booked in the statement of comprehensive income in the current period.

Development costs (relating to the design and testing of new or improved products or license registration expenditures) are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for sale,
- it can be demonstrated how the product will generate probable future economic benefits,
- management intends to complete the product and sell it,
- adequate technical, financial and other resources to complete the development or sell the product are available, and
- the expenditure attributable to the product during its development can be reliably measured.

Other development expenditures that meet these criteria are recognized as an intangible assets as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

**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 recognized 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.



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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)****2.2 Changes in accounting policies (Continued)****f) Inventories**

*Inventories are measured at the lower of cost and net realizable 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 realizable 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 12).*

*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.*

**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.*

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.2 Changes in accounting policies (Continued)**

*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 amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.*

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

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

**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 recognized 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 recognized 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.*

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.2 Changes in accounting policies (Continued)****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 23).

**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.

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.2 Changes in accounting policies (Continued)****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 26).*

*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 26).*

**n) 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 27).*

*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.*

**o) 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.*

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

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

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

Ordinary shares are classified as paid-in capital (Note 18). 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.

**q) 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).

**r) 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.

**s) 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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

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

#### **2.3 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 2.2c      *Impairment lives of property, plant and equipment and tangible assets*
- Note 2.2d      *Useful lives of intangible assets*
- Note 7          *Impairment losses on account receivable*
- Note 9          *Impairment losses on inventories*
- Note 12a, c      *Provisions for employee benefits*
- Note 12b      *Other short term provisions*
- Note 26        *Income tax*
- Note 28        *Determination of fair values*

#### **2.4 New and amended standards and interpretations**

*The accounting policies adopted in preparation of the financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.*

***i) The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:***

##### ***TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)***

*TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment did not an impact on the consolidated financial statements of the Company.*

##### ***Annual Improvements to TAS/TFRSs***

*In September 2014, POA issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle."*



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

**2.4 New and amended standards and interpretations (Continued)**

**Annual Improvements - 2010–2012 Cycle**

*TFRS 2 Share-based Payment:*

*Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.*

*TFRS 3 Business Combinations*

*The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective for business combinations prospectively.*

*TFRS 8 Operating Segments*

*The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.*

*TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets*

*The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:*

*i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.*

*TAS 24 Related Party Disclosures*

*The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. . In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.*

**Annual Improvements – 2011–2013 Cycle**

*TFRS 3 Business Combinations*

*The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.*

*TFRS 13 Fair Value Measurement*

*The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective prospectively.*

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

**2.4 New and amended standards and interpretations (Continued)**

*TAS 40 Investment Property*

*The amendment clarifies the interrelationship of TFRS 3 and TAS 40 in determining whether the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.*

*The amendments did not have a significant impact on the consolidated financial statements of the Company.*

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

*Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the 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**

*As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.*

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

*TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.*

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

*The amendments to TAS 16 and TAS 38 have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.*

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.4 New and amended standards and interpretations (Continued)****TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants**

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

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

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company

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

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.4 New and amended standards and interpretations (Continued)****TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)**

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**TAS 1: Disclosure Initiative (Amendments to TAS 1)**

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after

January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Company.

**Annual Improvements to TFRSs - 2012-2014 Cycle**

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

**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.

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.4 New and amended standards and interpretations (Continued)****Annual Improvements – 2010–2012 Cycle****IFRS 13 Fair Value Measurement**

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

**Annual Improvements – 2011–2013 Cycle****IFRS 15 Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**IFRS 9 Financial Instruments - Final standard (2014)**

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.



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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)****2.4 New and amended standards and interpretations (Continued)****IFRS 16 Leases**

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**IAS 7 Statement of Cash Flows (Amendments)**

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.



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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, 2015 and December 31, 2014 due from related parties comprised the following:

|  | December 31, 2015 | December 31, 2014 |
|--|-------------------|-------------------|
| Saint-Gobain Isover CRIR (*)   | 309.389           | 151.834           |
| Saint-Gobain Weber Yapı Kimyasalları Sanayi Ticaret A.Ş. (*)         | 135.183           | 304.067           |
| Saint Gobain Recherche (*)   | 70.315            | 61.753            |
| Saint-Gobain Ppc Italia S.P.A. (*)                                   | 35.044            | -                 |
| Saint-Gobain Adfors CZ S.R.O. (*)                                    | 20.695            | -                 |
| Kuwait Insulating Material MFG CO. (*)                               | 20.474            | 10.850            |
| Saint Gobain İnovatif Malz. ve Aşındırıcı Sanayi ve Ticaret A.Ş. (*) | 3.190             | 42.322            |
| Saint Gobain Isover Ireland (*)                                      | -                 | 7.430             |
|  | <b>594.290</b>    | <b>578.256</b>    |

#### b) Due to related parties

As at December 31, 2015 and December 31, 2014 due to related parties comprised the following:

|   | December 31, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Saint Gobain Isover SA (*)                          | 177.811           | 157.666           |
| Grunzweig Hartman AG (*)                            | 160.003           | 152.441           |
| Saint Gobain Adfors CZ Glass Mat S.R.O.             | 107.416           | -                 |
| Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*) | 81.975            | 72.521            |
|   | <b>527.205</b>    | <b>382.628</b>    |

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### NOTE 4 – RELATED PARTIES (Continued)

#### c) Sales to related parties

For the period ended December 31, 2015 and December 31, 2014 significant sales transactions to related parties comprised the following:

|  | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|--|----------------------------------|----------------------------------|
| Saint Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret A.Ş. (*)            | 623.017                          | 542.991                          |
| Saint Gobain Rigips Alçı Sanayi Ve Ticaret A.Ş. (*)                        | 132.168                          | 106.461                          |
| Saint-Gobain Ppc Italia S.P.A. (*)   | 43.203                           | -                                |
| Saint Gobain Recherche (*)   | 40.778                           | 34.471                           |
| Kuwait Insulating Material Mfg. Co. (*)                                    | 35.426                           | 18.171                           |
| Saint Gobain İnovatif Malzemeleri ve Aşındırıcı Sanayi ve Ticaret A.Ş. (*) | 2.740                            | 1.153.522                        |
| Alghanim Industries Office (*)   | -                                | 11.975                           |
|  | <b>877.332</b>                   | <b>1.867.591</b>                 |

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

#### d) Purchases from related parties

For the period ended December 31, 2015 and December 31, 2014 purchases from related parties comprised the following:

|   | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|---|----------------------------------|----------------------------------|
| Saint Gobain İsover (*)   | 1.503.545                        | 1.415.219                        |
| Grunzweig Hartman AG (*)  | 982.246                          | 953.918                          |
| Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*)             | 415.764                          | 251.158                          |
| Saint Gobain Adfors CZ Glass Mat S.R.O. (*)                     | 215.866                          | -                                |
| Saint Gobain Glass İtalia S.P.A. (*)                            | 38.990                           | -                                |
| Saint Gobain Conceptions Verrieres (*)                          | 13.336                           | -                                |
| Saint Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret A.Ş. (*) | 155                              | -                                |
| Saint Gobain İsover (Almanya) (*)                               | -                                | 7.661                            |
|   | <b>3.169.902</b>                 | <b>2.627.956</b>                 |

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### NOTE 4 – RELATED PARTIES (Continued)

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

For the period ended December 31, 2015 and December 31, 2014, remunerations to the top management are comprised the following:

|   | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|---|----------------------------------|----------------------------------|
| <b>Short term benefits</b>  |                                  |                                  |
| (Salaries, premiums, housing, company cars, social security, health insurance, vacation pay etc.)                 | 4.146.135                        | 4.112.480                        |
| <b>Long term benefits</b>   |                                  |                                  |
| (Termination indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.) | 719.415                          | 750.712                          |
|   | <b>4.865.550</b>                 | <b>4.863.192</b>                 |

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

### NOTE 5 – CASH AND CASH EQUIVALENTS

As at December 31, 2015 and December 31, 2014 cash and cash equivalents comprised the following:

|                            | December 31, 2015 | December 31, 2014 |
|----------------------------|-------------------|-------------------|
| <b>Banks</b>               | <b>624.994</b>    | <b>33.046.128</b> |
| -Demand deposits           | 11.542            | 315.703           |
| -Time deposits             | 613.452           | 32.730.425        |
| Cash at blockage (*)       | 7.721.171         | 5.037.585         |
| Cheques at collection (**) | 204.010           | 757.105           |
|                            | <b>8.550.175</b>  | <b>38.840.818</b> |

(\*) As of December 31, 2015, cash and cash equivalents consist of cash at blockage amounting to TL 7.721.171 (December 31, 2014: TL 5.037.585). TL 2.691.563 amount of consisted of cash at blockage Direct Borrowing System ("DBS") (December 31, 2014: TL 2.784.639). 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, 2015 TL 5.029.608 of cash blockage amount mainly comprised of the credit card receivables with a maturity less than 3 months (December 31, 2014: 2. 2.252.946).

(\*\*) Cheques in collection are composed of the cheques which have not been transferred to the Company's bank deposits accounts as at December 31, 2015.

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

As at December 31, 2015 and December 31 2014, time and demand deposits comprised the following currencies;

|                                  | Time Deposit   |                   | Demand deposit |                |
|----------------------------------|----------------|-------------------|----------------|----------------|
|                                  | Dec. 31, 2015  | Dec. 31, 2014     | Dec. 31, 2015  | Dec. 31, 2014  |
| US Dollars ("USD")               | 350.234        | 4.637.800         | -              | 55.113         |
| European Union Currency ("EURO") | 263.218        | -                 | 1.740          | -              |
| TL                               | -              | 28.092.625        | 9.802          | 260.590        |
|                                  | <b>613.452</b> | <b>32.730.425</b> | <b>11.542</b>  | <b>315.703</b> |

As of December 31, 2015, the effective interest rates of EURO and USD denominated time deposits are 0,10% (31 December, 2014: 10,35% and 0,81% for TL and USD denominated time deposits 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, 2015 and December 31, 2014 are comprised the followings:

|                           | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|---------------------------|----------------------------------|----------------------------------|
| Cash and cash equivalents | 8.550.175                        | 38.840.818                       |
| Less: Blockage amounts    | (7.721.171)                      | (5.037.585)                      |
| Less: Interest Accruals   | (2)                              | (92.625)                         |
|                           | <b>829.002</b>                   | <b>33.710.608</b>                |

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### NOTE 6 – FINANCIAL LIABILITIES

As at December 31, 2015 and December 31, 2014 bank borrowings comprised the followings:

|                             | December 31, 2015 | December 31, 2014 |
|-----------------------------|-------------------|-------------------|
| <b>Bank borrowings (*)</b>  | <b>14.169.440</b> | <b>10.573.423</b> |
| TL                          | 14.169.440        | 10.573.423        |
| <b>Factoring loans (**)</b> | <b>6.388.873</b>  | <b>6.297.043</b>  |
| USD                         | 5.641.480         | 5.454.172         |
| Euro                        | 747.393           | 842.871           |
|                             | <b>20.558.313</b> | <b>16.870.466</b> |

(\*) As of December 31, 2015, all of the outstanding bank borrowings are denominated in TL and the effective interest rate of interest bearing bank borrowings is 12,24% (December 31, 2014: 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. The effective interest rate of factoring are 2,10% for USD and EURO respectively.

### NOTE 7 – ACCOUNTS RECEIVABLE AND PAYABLE

#### a) Trade receivable

As at December 31, 2015, and December 31, 2014 short-term trade receivables comprised the followings:

|  | December 31, 2015  | December 31, 2014 |
|--|--------------------|-------------------|
| Accounts receivable                      | 84.128.856         | 81.307.599        |
| Notes receivable                         | 21.448.168         | 14.201.933        |
| Doubtful receivables                     | 1.526.181          | 1.455.078         |
| Less: Allowance for doubtful receivables | (1.526.181)        | (1.455.078)       |
|  | <b>105.577.024</b> | <b>95.509.532</b> |

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

As at December 31, 2015, TL 594.290 of accounts receivable comprised due from related parties (December 31, 2014: TL 578.256) in which detailed presentation is disclosed in Note 4.

Average collection period of trade receivables is 87 days (December 31, 2014: 86 days) which may change according to the type of the product and the terms of the agreement with the customer.

As at December 31, 2015 and December 31, 2014 maturity profiles of cheques and notes receivables are as follows:

|                  | December 31, 2015 | December 31, 2014 |
|------------------|-------------------|-------------------|
| 0 - 30 days      | 4.706.660         | 4.591.740         |
| 31 - 60 days     | 7.883.802         | 5.716.961         |
| 61- 90 days      | 7.843.760         | 1.964.568         |
| 91 days and over | 1.013.946         | 1.928.664         |
| <b>Total</b>     | <b>21.448.168</b> | <b>14.201.933</b> |

For the period ended, December 31, 2015 and December 31, 2014 the movement of allowance for doubtful receivables comprised the followings:

|                        | 2015             | 2014             |
|------------------------|------------------|------------------|
| Beginning balance      | 1.455.078        | 856.711          |
| Provision for the year | 194.720          | 598.367          |
| Write offs             | (123.617)        | -                |
| <b>Period end</b>      | <b>1.526.181</b> | <b>1.455.078</b> |

### b) Trade payables

As at December 31, 2015, trade payables amount to TL 39.970.785 (December 31, 2014: TL 23.501.584) arising from accounts payable to various suppliers and average payment term is 35 days. (December 31, 2014: 31 days).

As at December 31, 2015, TL 527.205 of trade payables comprised due to related parties (December 31, 2014: TL 382.628) 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, 2015, long-term receivables comprised deposits given amounting to TL 13.022 (December 31, 2014: TL 94.507).

#### b) Other payables

As at December 31, 2015, short-term other payables amounting to TL 19.613 (December 31, 2014: TL 14.010) comprised of other miscellaneous payables.

### NOTE 9 – INVENTORIES

As at December 31, 2015, and December 31, 2014 inventories comprised the following:

|                            | December 31, 2015 | December 31, 2014 |
|----------------------------|-------------------|-------------------|
| Raw materials and supplies | 24.746.091        | 17.459.925        |
| Finished goods             | 9.036.587         | 7.008.464         |
| Trading goods              | 518.968           | 533.980           |
|                            | <b>34.301.646</b> | <b>25.002.369</b> |

Inventories are accounted at cost. As at December 31, 2015 and December 31, 2014, there is no allowance for impairment on inventories since the cost of inventories are lower than their net realizable value.

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### NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

For the period ended December 31, 2015 movement in the property, plant and equipment comprised the following:

| Cost                     | January 1, 2015    | Additions        | Disposals        | Transfers           | Dec. 31, 2015      |
|--------------------------|--------------------|------------------|------------------|---------------------|--------------------|
| Land                     | 6.004.308          | -                | -                | -                   | 6.004.308          |
| Land improvements        | 4.613.669          | -                | -                | 22.603              | 4.636.272          |
| Buildings                | 55.340.487         | 11.500           | (23.000)         | 1.393.346           | 56.722.333         |
| Machinery and equipment  | 202.341.896        | 352.059          | (200.302)        | 6.160.296           | 208.653.949        |
| Furniture and fixtures   | 8.120.984          | 182.384          | (200.593)        | 871.587             | 8.974.362          |
| Leasehold improvements   | 1.131.899          | -                | -                | 9.081               | 1.140.980          |
| Construction in progress | 2.094.354          | 8.805.782        | -                | (8.543.625)         | 2.356.511          |
| <b>Total Cost</b>        | <b>279.647.597</b> | <b>9.351.725</b> | <b>(423.895)</b> | <b>(86.712) (*)</b> | <b>288.488.715</b> |

| Less: Accumulated depreciation        | January 1, 2015      | Additions           | Disposals      | Transfers | Dec. 31, 2015        |
|---------------------------------------|----------------------|---------------------|----------------|-----------|----------------------|
| Land improvements                     | (3.127.418)          | (128.403)           | -              | -         | (3.255.821)          |
| Buildings                             | (19.758.505)         | (1.388.054)         | 8.206          | -         | (21.138.353)         |
| Machinery and equipment               | (160.944.198)        | (8.996.009)         | 198.451        | -         | (169.741.756)        |
| Furniture and fixtures                | (6.119.555)          | (565.112)           | 191.969        | -         | (6.492.698)          |
| Leasehold improvements                | (176.524)            | (110.766)           | -              | -         | (287.290)            |
| <b>Total accumulated depreciation</b> | <b>(190.126.200)</b> | <b>(11.188.344)</b> | <b>398.626</b> | <b>-</b>  | <b>(200.915.918)</b> |
| <b>Net book value</b>                 | <b>89.521.397</b>    |                     |                |           | <b>87.572.797</b>    |

(\*) As of December 31, 2015 TL 86.712 of Construction in progress has been transferred to intangible assets.

For the period ended December 31, 2015, depreciation expenses amounting to TL 10.623.790 (December 31, 2014: TL 10.973.564) has been recognized under cost of sales, TL 277.974 (December 31, 2014: TL 268.960) has been included under administrative expenses and TL 286.580 (December 31, 2014: TL 1.214.458) has been capitalized on stocks.

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### NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (Continued)

As at December 31, 2015 and December 31, 2014, the amount of tangible assets with zero net book value which are still in use and kept in the accounting records is TL 155.067.096 (December 31, 2014: TL 132.713.269).

As of December 31, 2015 and December 31, 2014, there are no assets pledged as collateral.

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          | 8.524.005        | -                | (7.900.348) | 2.094.354          |
| <b>Total Cost</b>        | <b>270.987.505</b> | <b>9.162.148</b> | <b>(502.056)</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>    |                     |                |           | <b>89.521.397</b>    |

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### NOTE 11 – INTANGIBLE ASSETS

For the period ended December 31, 2015 movement in the intangible assets comprised the following:

| Cost                                  | Jan. 1, 2015     | Additions       | Transfer          | Dec. 31, 2015    |
|---------------------------------------|------------------|-----------------|-------------------|------------------|
| Software rights                       | 859.834          | -               | -                 | 859.834          |
| Development cost                      | -                | 2.784           | 86.712            | 89.496           |
| <b>Total Cost</b>                     | <b>859.834</b>   | <b>2.784</b>    | <b>86.712 (*)</b> | <b>949.330</b>   |
| <b>Less: Accumulated amortization</b> |                  |                 |                   |                  |
| Software rights                       | (815.871)        | (21.501)        | -                 | (837.372)        |
| <b>Total accumulated amortization</b> | <b>(815.871)</b> | <b>(21.501)</b> | <b>-</b>          | <b>(837.372)</b> |
| <b>Net book value</b>                 | <b>43.963</b>    |                 |                   | <b>111.958</b>   |

(\*) As of December 31, 2015 TL 86.712 of Construction in progress has been transferred to intangible assets.

As at December 31, 2014, movement in the intangible assets comprised the following:

| Cost                                  | Jan. 1, 2014     | Additions       | Dec. 31, 2014    |
|---------------------------------------|------------------|-----------------|------------------|
| Software rights                       | Maliyet          | 5.755           | 798.212          |
| <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>    |

At December 31, 2015, amortization expenses amounting to TL 21.501 (December 31, 2014: TL 36.164) have been included in administrative expenses. As at December 31, 2015 and December 31, 2014, the amount of intangible assets with zero net book value which are still in use and kept in the accounting records is TL 798.214 (December 31, 2014: TL 792.457).

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 12 – PROVISIONS

#### a) Other short term provisions

At December 31, 2015, and December 31, 2014 other short-term provisions comprised the following:

|                                  | December 31, 2015 | December 31, 2014 |
|----------------------------------|-------------------|-------------------|
| Provisions for litigation        | 99.372            | 25.872            |
| Miscellaneous expense provisions | 67.595            | 98.774            |
| <b>Total</b>                     | <b>166.967</b>    | <b>124.646</b>    |

For period ended December 31, 2015 the movement of other short term provisions is as follows:

|   | Jan. 1, 2015   | Additions        | Payments           | Reversal        | Dec. 31, 2015  |
|---|----------------|------------------|--------------------|-----------------|----------------|
| Provisions for litigation                 | 25.872         | 108.500          | -                  | (35.000)        | 99.372         |
| Miscellaneous provisions for expenses (*) | 98.774         | 4.298.677        | (4.329.856)        | -               | 67.595         |
|   | <b>124.646</b> | <b>4.407.177</b> | <b>(4.329.856)</b> | <b>(35.000)</b> | <b>166.967</b> |

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

|   | Jan. 1, 2014  | Additions        | Payments           | Reversal        | Dec. 31, 2014  |
|---|---------------|------------------|--------------------|-----------------|----------------|
| Miscellaneous provisions for expenses (*) | 73.919        | 4.361.501        | (4.310.435)        | (26.211)        | 98.774         |
| Provisions for litigation                 | 25.872        | -                | -                  | -               | 25.872         |
|   | <b>99.791</b> | <b>4.361.501</b> | <b>(4.310.435)</b> | <b>(26.211)</b> | <b>124.646</b> |

(\*) Miscellaneous provisions are comprised of DBS provisions and Eximbank export commission expenses provisions.

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

For period ended December 31, 2015. Provision for employee benefits the movement is as follows:

|   | December 31, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Provision for severance payments            | 6.353.127         | 6.689.384         |
| Provision for unused vacation pay liability | 2.792.410         | 2.551.662         |
| <b>Total</b>                                | <b>9.145.537</b>  | <b>9.241.046</b>  |

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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 12 – PROVISIONS (Continued)

#### b) Long term provision for employee benefits (Continued)

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 3.828,37 for each period of service as at December 31, 2015 (December 31, 2014: TL 3.438,22). Maximum salary is TL 4.092,53 as of January 1, 2016.

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. TAS 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, 2015, 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 7,00% and a discount rate of 11,00%, resulting in a real discount rate of approximately 3,74% (December 31, 2014: 3,77% real discount rate). The anticipated rate of forfeitures is considered. As the maximum liability is revised semiannually, the maximum amount of TL 3.828,37 effective from July 1, 2015 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, 2015 | December 31, 2014 |
|---------------------------------|-------------------|-------------------|
| Opening balance                 | 6.689.384         | 6.205.879         |
| Interest cost                   | 668.938           | 620.588           |
| Cost of services                | 569.292           | 569.293           |
| Payments made during the period | (342.610)         | (661.705)         |
| Actuarial gain/(loss)           | (1.231.877)       | (44.671)          |
|                                 | <b>6.353.127</b>  | <b>6.689.384</b>  |



# İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

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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 12 – PROVISIONS (Continued)

#### b) Long term provision for employee benefits (Continued)

Actuarial losses /gains arise from the changes in interest rates, inflation rates and changes in expectations about the salary increases. For the period ended December 31, 2015 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, 2015 | December 31, 2014 |
|--|-------------------|-------------------|
| Opening balance                        | 2.551.662         | 2.354.644         |
| Additional provision during the period | 740.768           | 793.744           |
| Used                                   | (500.020)         | (596.726)         |
| <b>Ending balance</b>                  | <b>2.792.410</b>  | <b>2.551.662</b>  |

### NOTE 13 – COMMITMENTS

According to the decision of CMB on September 9, 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, 2015.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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### NOTE 13 – COMMITMENTS (Continued)

As at December 31, 2015 and December 31, 2014 commitments given are as follows:

|   | Dec. 31, 2015     | Dec. 31, 2014     |
|---|-------------------|-------------------|
| A. Commitments given in the name of own legal Entity                                      | 16.879.261        | 14.351.871        |
| 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>16.879.261</b> | <b>14.351.871</b> |

As of December 31, 2015 and December 31, 2014 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, 2015 and December 31, 2014, non-cancellable operating lease rentals payable are as follows:

|                      | Dec. 31, 2015    | Dec. 31, 2014  |
|----------------------|------------------|----------------|
| 1 <sup>st</sup> year | 550.557          | 643.627        |
| 2 <sup>nd</sup> year | 538.260          | 96.764         |
| 3 <sup>rd</sup> year | 403.695          | 9.774          |
| <b>Total</b>         | <b>1.492.512</b> | <b>750.165</b> |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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### NOT 14 – EMPLOYEE BENEFIT OBLIGATION

As at December 31, 2015 and December 31, 2014 employee benefits comprised the following:

|  | December 31, 2015 | December 31, 2014 |
|--|-------------------|-------------------|
| Personnel premium (*)                        | 2.686.685         | 2.654.733         |
| Social security premium payable              | 1.850.045         | 1.988.261         |
| Withholding taxes and duties                 | 608.702           | 547.060           |
| Individual pension plan contribution payable | 126.235           | 118.254           |
| Due to personnel                             | 14.621            | 17.434            |
| <b>Total</b>                                 | <b>5.286.288</b>  | <b>5.325.742</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, 2016 (January 2015).

### NOTE 15 – PREPAID EXPENSES

As at December 31, 2015 and December 31, 2014 short term prepaid expenses comprised the following:

|                              | December 31, 2015 | December 31, 2014 |
|------------------------------|-------------------|-------------------|
| Advances given for inventory | 2.831.748         | 256.344           |
| Prepaid expenses (*)         | 532.051           | 448.047           |
|                              | <b>3.363.799</b>  | <b>704.391</b>    |

As at December 31, 2015 and December 31, 2014 long term prepaid expenses comprised the following:

|                                 | December 31, 2015 | December 31, 2014 |
|---------------------------------|-------------------|-------------------|
| Advances given for fixed assets | 7.553.729         | 83.090            |
|                                 | <b>7.553.729</b>  | <b>83.090</b>     |

(\*) As of December 31, 2015 prepaid expenses are consist of insurance and office rent expenses.

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### NOTE 16 – DEFERRED INCOME

As at December 31, 2015 and December 31, 2014 deferred income is comprised the following:

|                | December 31, 2015 | December 31, 2014 |
|----------------|-------------------|-------------------|
| Advances Taken | 15.793.819        | 7.721.212         |
|                | <b>15.793.819</b> | <b>7.721.212</b>  |

### NOTE 17 – OTHER ASSET AND LIABILITIES

#### a) Other current assets

As at December 31, 2015 and December 31, 2014 other current assets are comprised the following:

|   | December 31, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Value Added Taxes ("VAT") to be transferred | 820.496           | 1.311.636         |
| Taxes and duties receivable                 | 175.594           | 718.969           |
| VAT receivable on exports                   | 163.493           | 392.927           |
| Other                                       | 275.106           | 206.230           |
|   | <b>1.434.689</b>  | <b>2.629.762</b>  |

#### b) Other non-current assets

As of December 31, 2015 Company has deposits and guarantees given amounts of TL 14.612 (31 December 2014: TL 14.597)

#### c) Other short term liabilities

As at December 31, 2015 and December 31, 2014 other current liabilities comprised the following:

|                                   | December 31, 2015 | December 31, 2014 |
|-----------------------------------|-------------------|-------------------|
| VAT payables as responsible party | 392.685           | 327.787           |
| VAT payables as taxpayer          | 103.900           | 1.390.597         |
| Other                             | 56.589            | 53.752            |
|                                   | <b>553.174</b>    | <b>1.772.136</b>  |

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### NOTE 18 – EQUITY

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

As at December 31, 2015, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (December 31, 2014: 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, 2015 |                      | December 31, 2014 |                      |
|----------------------------------|-------------------|----------------------|-------------------|----------------------|
|                                  | 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>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>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.

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### NOTE 18 – EQUITY (Continued)

#### 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.

The details of these restricted reserves are as follows:

|                      | December 31, 2015 | December 31, 2014 |
|----------------------|-------------------|-------------------|
| Legal reserves       | 41.544.464        | 35.730.659        |
| Special reserves (*) | 46                | 46                |
|                      | <b>41.544.510</b> | <b>35.730.705</b> |

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

TL 12.448.056 extraordinary reserves (December 31, 2014: TL 10.060.002) 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.

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**NOTE 18 – EQUITY (Continued)****c) Dividend Distribution**

*Dividend Comminué No. II-19.1, dated 23 January 2015 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 comminué will be effective 1 February 2015.*

*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.*
- Allocation of additional reserves, carry forward of profits and distribution of dividends to bonus shareholders, 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 shareholders, 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 2015, it has been decided to distribute dividend amounting to TL 65.824.528 through net profit for the year ended December 31, 2014 amounting to TL 59.364.745 as cash dividends, TL 5.813.805 is transferred from extraordinary reserves (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, 2015 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 27.622.531 (December 31, 2014: TL 65.824.528).*



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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### NOTE 19 – REVENUE AND COST OF SALES

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

|                                   | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|-----------------------------------|----------------------------------|----------------------------------|
| Domestic sales                    | 313.547.700                      | 299.215.612                      |
| Export sales                      | 63.297.817                       | 68.446.627                       |
| Other                             | 13.960.748                       | 13.814.641                       |
| <b>Gross sales</b>                | <b>390.806.265</b>               | <b>381.476.880</b>               |
| Less: Sales returns and discounts | (20.323.901)                     | (18.555.690)                     |
| <b>Net sales</b>                  | <b>370.482.364</b>               | <b>362.921.190</b>               |
| Less: Cost of sales               | (283.111.719)                    | (276.517.358)                    |
| <b>Gross profit</b>               | <b>87.370.645</b>                | <b>86.403.832</b>                |

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

|                               | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|-------------------------------|----------------------------------|----------------------------------|
| Raw materials and consumables | 252.940.335                      | 245.418.090                      |
| Personnel                     | 21.575.717                       | 19.447.236                       |
| Depreciation                  | 10.623.790                       | 10.973.564                       |
| Changes in inventory          | (2.028.123)                      | 678.468                          |
| <b>Cost of Sales</b>          | <b>283.111.719</b>               | <b>276.517.358</b>               |

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### NOTE 20 – MARKETING, SALES AND DISTRIBUTION EXPENSES

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

|                               | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|-------------------------------|----------------------------------|----------------------------------|
| Freight insurance             | 15.619.788                       | 17.585.457                       |
| Personnel                     | 8.220.213                        | 7.653.552                        |
| Storage                       | 3.003.345                        | 2.770.453                        |
| Licenses                      | 2.654.687                        | 2.480.613                        |
| Dealer and authorized service | 2.591.655                        | 1.760.780                        |
| Advertisement                 | 1.488.182                        | 1.434.114                        |
| Transportation                | 754.415                          | 717.046                          |
| Rent                          | 721.521                          | 495.255                          |
| Sales commissions             | 675.572                          | 584.866                          |
| Collateral                    | 527.463                          | 636.964                          |
| Exhibition and fair           | 478.299                          | 463.591                          |
| Travel                        | 332.620                          | 408.985                          |
| Public relations and events   | 121.166                          | 133.294                          |
| Other                         | 1.130.707                        | 659.423                          |
|                               | <b>38.319.633</b>                | <b>37.784.393</b>                |

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### NOTE 21 - ADMINISTRATIVE EXPENSES

For the periods ended December 31, 2015 and 2014, administrative expenses comprised the following:

|                                | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|--------------------------------|----------------------------------|----------------------------------|
| Personnel                      | 9.922.623                        | 8.780.687                        |
| Rent                           | 798.795                          | 399.120                          |
| Information technology         | 666.786                          | 588.063                          |
| Transportation                 | 489.264                          | 405.673                          |
| Subscription                   | 427.670                          | 337.363                          |
| Duties, taxes and levies       | 343.579                          | 167.383                          |
| Depreciation and amortization  | 299.475                          | 305.124                          |
| Representation                 | 293.645                          | 353.742                          |
| Legal                          | 264.398                          | 148.591                          |
| Insurance expenses             | 259.710                          | 113.542                          |
| Consultancy                    | 192.726                          | 217.472                          |
| Communication                  | 181.851                          | 229.794                          |
| Repair, maintenance and energy | 143.781                          | 152.851                          |
| Travel                         | 131.864                          | 128.930                          |
| Stationary Expenses            | 92.090                           | 94.871                           |
| Donations                      | 85.057                           | 58.086                           |
| General Assembly               | 37.940                           | 14.684                           |
| Other                          | 1.126.441                        | 767.168                          |
|                                | <b>15.757.695</b>                | <b>13.263.144</b>                |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

### NOTE 22 – EXPENSES BY NATURE

For the periods ended December 31, nature of expenses is disclosed in Notes 19, 20 and 21.

Expenses by nature for the period ended December 31, 2015 and 2014 comprise the following:

|                               | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|-------------------------------|----------------------------------|----------------------------------|
| Salaries                      | 39.718.553                       | 35.881.475                       |
| Depreciation and amortization | 10.923.265                       | 11.278.688                       |
|                               | <b>50.641.818</b>                | <b>47.160.163</b>                |

### NOTE 23 – OTHER OPERATING INCOME AND EXPENSE

#### a) Other operating income

For the periods ended December 31, 2015 and 2014 other operating income comprised the following:

|                                      | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|--------------------------------------|----------------------------------|----------------------------------|
| Interest income on credit sale       | 5.829.068                        | 4.877.816                        |
| Insurance income                     | 864.072                          | 1.209.744                        |
| Foreign exchange gains on operations | 156.948                          | 1.371.848                        |
| Other income                         | 579.579                          | 745.791                          |
|                                      | <b>7.429.667</b>                 | <b>8.205.199</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, 2015. 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 has been finished on March 20, 2015. 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 was compensated. Accordingly, the damage does not have a negative impact on the financial statements.

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### NOTE 23 – OTHER OPERATING INCOME AND EXPENSE (Continued)

#### b) Other operating expense

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

|                                       | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|---------------------------------------|----------------------------------|----------------------------------|
| Provision for doubtful receivables    | 45.130                           | 598.367                          |
| Foreign exchange losses on operations | -                                | 19.029                           |
| Other (*)                             | 1.467.447                        | 395.217                          |
|                                       | <b>1.512.577</b>                 | <b>1.012.613</b>                 |

(\*) TL 1.196.838 TL of other operating expense consists of expenses incurred regarding to transportation expenses of damaged inventories due to the fire that occurred in the warehouse of the fiberglass factory in Tarsus/Mersin on August 14, 2015.

### NOTE 24 – INCOME/EXPENSE FROM INVESTMENT ACTIVITIES

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

|  | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|--|----------------------------------|----------------------------------|
| Gain on sale of assets held for sale, net              | -                                | 42.816.456                       |
| Gain on sale of property, plant and equipment          | 103.452                          | 97.199                           |
| <b>Income from investing activities</b>                | <b>103.452</b>                   | <b>42.913.655</b>                |
| Loss on sale of property, plant and equipment          | -                                | -                                |
| <b>Expense from investing activities</b>               | <b>-</b>                         | <b>-</b>                         |
| <b>Income/(expense) from investing activities, net</b> | <b>103.452</b>                   | <b>42.913.655</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 25 – FINANCE INCOME AND EXPENSES

#### a) Finance income

For the periods ended December 31, 2015 and 2014, finance income comprised the following:

|                                  | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|----------------------------------|----------------------------------|----------------------------------|
| Interest income on time deposits | 699.220                          | 635.843                          |
| Foreign exchange gains           | -                                | 792.325                          |
|                                  | <b>699.220</b>                   | <b>1.428.168</b>                 |

#### b) Finance expenses

For the periods ended December 31, 2015 and 2014, finance costs comprised the following:

|                                       | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|---------------------------------------|----------------------------------|----------------------------------|
| Interest expense on borrowings        | 4.544.358                        | 1.605.027                        |
| Interest cost on defined benefit plan | 668.938                          | 620.588                          |
| Foreign exchange loss                 | 61.707                           | -                                |
|                                       | <b>5.275.003</b>                 | <b>2.225.615</b>                 |

### NOTE 26 – INCOME TAX

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.

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### NOTE 26 – INCOME TAX (Continued)

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

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

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

#### Current period tax assets and liabilities

As at December 31, 2015 and December 31, 2014 total tax liability comprised the following:

|                              | December 31, 2015 | December 31, 2014 |
|------------------------------|-------------------|-------------------|
| Corporate tax provision      | 7.687.689         | 16.867.479        |
| Prepaid taxes                | (6.151.101)       | (15.538.743)      |
| <b>Current tax liability</b> | <b>1.536.588</b>  | <b>1.328.736</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, 2014: 20%).



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### NOTE 26 – INCOME TAX (Continued)

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

| December 31, 2015   |                                   |                                    |
|---|-----------------------------------|------------------------------------|
|   | Temporary Accumulated Differences | Deferred Tax Assets/ (Liabilities) |
| Employee severance indemnity  | 6.353.127                         | 1.270.625                          |
| Vacation pay liability  | 2.792.410                         | 558.482                            |
| Unrecognized interest expense   | 766.649                           | 153.330                            |
| Effect of amortization and depreciation of tangible and intangible assets | (11.843.503)                      | (2.368.701)                        |
| Other   | (113.709)                         | (22.741)                           |
| <b>Deferred tax asset/(liability), net</b>                                |                                   | <b>(409.005)</b>                   |

| 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>                   |

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### NOTE 26 – INCOME TAX (Continued)

As at December 31, 2015 and December 31, 2014, the movement of deferred tax liabilities is as follows:

|  | 2015           | 2014           |
|--|----------------|----------------|
| Opening balance as of 1 January            | 734.774        | 633.355        |
| Other comprehensive deferred tax of income | 246.375        | 8.934          |
| Deferred tax (income)/expense              | (572.144)      | 92.485         |
| <b>Closing balance as of 31 December</b>   | <b>409.005</b> | <b>734.774</b> |

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 –<br>December 31, 2015 | January 1 –<br>December 31, 2014 |
|---|----------------------------------|----------------------------------|
| Profit before tax                                 | 34.738.076                       | 84.665.089                       |
| Tax rate %  | 20                               | 20                               |
| <b>Taxes on reported profit per statutory tax</b> | <b>(6.947.615)</b>               | <b>(16.933.018)</b>              |
| Disallowable expenses                             | (144.469)                        | (26.946)                         |
| Other   | (23.461)                         | -                                |
| <b>Tax expense</b>                                | <b>(7.115.545)</b>               | <b>(16.959.964)</b>              |

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### NOTE 27 – EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the year ended December 31, 2015 amounting to TL 27.622.531 (December 31, 2014: TL 67.705.125) to the weighted average of the shares during these periods,

|  | January 1 -<br>December 31, 2015 | January 1 -<br>December 31, 2014 |
|--|----------------------------------|----------------------------------|
| <b>Earnings per share</b>                        |                                  |                                  |
| Net Profit                                       | 27.622.531                       | 67.705.125                       |
| 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>0,011</b>                     | <b>0,027</b>                     |
| <b>Diluted Earnings per share (Kr per share)</b> | <b>0,011</b>                     | <b>0,027</b>                     |

### NOTE 28 – 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.

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**NOTE 28 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)****a) Financial risk management (Continued)**

*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 2015, 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.*

**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 17.406.399 (December 31, 2014: TL 10.143.471) 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.*

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**NOTE 28 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)****a) Financial risk management (Continued)****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, 2015 the Company has guaranteed the receivables amounting to TL 136.581.000 (December 31, 2014: TL 132.305.000) via Direct Borrowing System aiming to avoid liquidity risk. The Company has also obtained factoring loans amounting to TL 6.388.873 (December 31, 2014: TL 6.297.043) 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 28 – 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, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Short-term borrowings (Note 6)            | 20.558.313        | 16.870.466        |

#### 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 6,8 percent (December 31, 2014: 9,47 percent) of the Company's revenue is attributable to sales transactions with a single customer. Largest balance of trade receivables is TL 8.964.968 for a single customer (December 31, 2014: TL 7.978.789).

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

|   | Dec. 31, 2015      | Dec. 31, 2014     |
|---|--------------------|-------------------|
| 1. and 5. District Office (Marmara, West Black Sea Regions)                     | 55.440.558         | 51.710.146        |
| 2. District Office (Central Anatolia, Middle Black Sea Regions)                 | 22.235.981         | 14.900.814        |
| 4. District Office (Aegean and Mediterranean Sea Regions)                       | 10.158.349         | 9.751.154         |
| Middle East, Balkans, Africa and Others   | 9.244.659          | 9.015.425         |
| 3. District Office (South East Anatolia, East Anatolia, East Black Sea Regions) | 8.497.476          | 10.131.993        |
|   | <b>105.577.024</b> | <b>95.509.532</b> |

At December 31, 2015, the Company has a letter of guarantee amounting to TL 11.861.249 (December 31, 2014: TL 10.155.027), mortgage amounting to TL 10.000 (December 31, 2014: TL 10.000), Eximbank guarantee amounting to TL 13.255.507 (December 31, 2014: TL 8.773.280), collaterals received as notes amounting to TL 823.452 (December 31, 2014: TL 791.091) and direct borrowing system guarantees amounting to TL 136.581.000 (December 31, 2014: TL 132.305.000).

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### NOTE 28 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

Detail of credit risk as at December 31, 2015 is as follows:

| December 31, 2015  | 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)  | 1.188.580         | 104.982.734 |                   | -       | 13.022 |        | 624.994           | 16.879.261 |
| - The part of maximum risk under guarantee with collateral   | 594.290           | 104.982.734 |                   | -       | 13.022 |        | 624.994           | 16.879.261 |
| A. Net carrying value of financial assets which are neither impaired nor overdue   | 594.290           | 100.707.127 |                   | -       | 13.022 |        | -                 | -          |
| B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired | -                 | 4.275.607   |                   | -       | -      |        | -                 | -          |
| C. Net carrying value of financial assets which are overdue but not impaired   | -                 | -           |                   | -       | -      |        | -                 | -          |
| - Past due (gross book value)  | -                 | 1.526.181   |                   | -       | -      |        | -                 | -          |
| - Impairment (-)   | -                 | (1.526.181) |                   | -       | -      |        | -                 | -          |
| - 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   | -                 | -           |                   | -       | -      |        | -                 | 16.879.261 |

(\*) 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 28 – 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, 2015 past due but not impaired accounts receivables (except due from related parties) are as follows:

| December 31, 2015                | Receivables       |                   | Deposits on Banks | Other    |
|----------------------------------|-------------------|-------------------|-------------------|----------|
|                                  | Trade receivables | Other receivables |                   |          |
| Past due 1-30 days               | 3.042.214         | -                 | 11.540            | -        |
| Past due 1-2 months              | 460.182           | -                 | -                 | -        |
| Past due 3-6 months              | 434.611           | -                 | -                 | -        |
| More than 6 months               | 338.600           | -                 | -                 | -        |
| <b>Total</b>                     | <b>4.275.607</b>  | <b>-</b>          | <b>11.540</b>     | <b>-</b> |
| The portion secured by guarantee | 5.711.315         |                   |                   |          |

As at December 31, 2015, 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, 2015, the Company has guaranteed its overdue receivables by letter of guarantee amounting to TL 493.070 (December 31, 2014: 263.403), direct borrowing system (DBS) guarantees amounting to TL 4.233.705 (December 31, 2014: 3.797.530) and Eximbank guarantee amounting to TL 2.413.308 (December 31, 2014: TL 687.215).

# 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, 2015

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

### NOTE 28 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

Detail of credit risk as of 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 |

# 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, 2015

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

### NOTE 28 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

As 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         |                   |                   |          |

#### Guarantees

In accordance with the Company policy, total guarantees amounting to TL 16.879.261 (December 31, 2014: TL 14.351.871) are given to custom offices, domestic supplier, banks and tax offices.

# 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, 2015

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

### NOTE 28 – 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, 2015 and 2014, net position of the Company is resulted from foreign currency assets and liabilities:

| CURRENCY POSITION                            |                     |                    |                    |                    |                    |                  |
|--|---------------------|--------------------|--------------------|--------------------|--------------------|------------------|
|  | December 31, 2015   |                    |                    | December 31, 2014  |                    |                  |
|  | TL                  | USD                | Euro               | TL                 | USD                | Euro             |
| 1. Trade receivables                         | 9.647.105           | 2.787.942          | 484.921            | 8.993.927          | 3.358.930          | 427.165          |
| 2a. Monetary financial assets                | 2.960.518           | 927.073            | 83.383             | 4.692.913          | 2.023.767          | -                |
| 2b. Non-monetary financial assets            | -                   | -                  | -                  | -                  | -                  | -                |
| 3. Other                                     | 70.315              | -                  | 22.128             | 61.754             | -                  | 21.893           |
| <b>4. Current Assets (1+2+3)</b>             | <b>12.677.938</b>   | <b>3.715.015</b>   | <b>590.432</b>     | <b>13.748.594</b>  | <b>5.382.697</b>   | <b>449.058</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>12.677.938</b>   | <b>3.715.015</b>   | <b>590.432</b>     | <b>13.748.594</b>  | <b>5.382.697</b>   | <b>449.058</b>   |
| 10. Trade payables                           | (7.634.961)         | (1.244.262)        | (1.264.207)        | (1.584.169)        | (451.946)          | (190.077)        |
| 11. Financial liabilities                    | (6.388.873)         | (1.940.253)        | (235.206)          | (6.296.919)        | (2.351.998)        | (298.816)        |
| 12a. Monetary financial liabilities          | (14.538)            | (5.000)            | -                  | (11.595)           | (5.000)            | -                |
| 12b. Non-monetary financial liabilities      | -                   | -                  | -                  | -                  | -                  | -                |
| <b>13. Short Term Liabilities (10+11+12)</b> | <b>(14.038.372)</b> | <b>(3.189.515)</b> | <b>(1.499.413)</b> | <b>(7.892.683)</b> | <b>(2.808.944)</b> | <b>(488.893)</b> |
| 14. Trade payables                           | -                   | -                  | -                  | -                  | -                  | -                |
| 15. Financial liabilities                    | -                   | -                  | -                  | -                  | -                  | -                |
| 16a. Monetary financial liabilities          | -                   | -                  | -                  | -                  | -                  | -                |
| 16b. Non-monetary financial liabilities      | -                   | -                  | -                  | -                  | -                  | -                |

# 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, 2015

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

### NOTE 28 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

| CURRENCY POSITION  |                   |             |             |                   |             |           |
|--|-------------------|-------------|-------------|-------------------|-------------|-----------|
|  | December 31, 2015 |             |             | December 31, 2014 |             |           |
|  | TL                | USD         | Euro        | TL                | USD         | Euro      |
| 17. Long Term Liabilities (14+15+16)   | -                 | -           | -           | -                 | -           | -         |
| 18. Total Liabilities (13+17)  | (14.038.372)      | (3.189.515) | (1.499.413) | (7.892.683)       | (2.808.944) | (488.893) |
| 19. Off-Balance sheet financial derivative net asset (liability) position (19a-19b)                | -                 | -           | -           | -                 | -           | -         |
| 19a. Off-balance sheet foreign currency derivative assets  | -                 | -           | -           | -                 | -           | -         |
| 19b. Off-balance sheet foreign currency derivative liabilities                                     | -                 | -           | -           | -                 | -           | -         |
| 20. Net foreign currency asset (liability) position (9-18+19)                                      | (1.360.434)       | 525.500     | (908.981)   | 5.855.911         | 2.573.753   | (39.835)  |
| 21. Monetary items net foreign currency asset (liability) position (1+2a+5+6a-10-11-12a-14-15-16a) | (1.430.749)       | 525.500     | (931.109)   | 5.794.157         | 2.573.753   | (61.728)  |
| 22. Total fair value of financial instruments used for currency swap                               | -                 | -           | -           | -                 | -           | -         |
| 23. Hedged amount of foreign denominated assets  | -                 | -           | -           | -                 | -           | -         |
| 24. Hedged amount of foreign denominated liabilities   | -                 | -           | -           | -                 | -           | -         |

# 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, 2015

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

### NOTE 28 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Risk Management Disclosures (Continued)

As at December 31, 2015 and December 31, 2014 currency sensitivity analysis is as follow;

| Currency Sensitivity Analysis  |  |  |  |  |
|--|--|--|--|--|
| December 31, 2015<br>Profit/(Loss)   |  |  |  |  |
|  | Appreciation<br>of foreign<br>currency | Depreciation<br>of foreign<br>currency | Appreciation<br>of foreign<br>currency | Depreciation<br>of foreign<br>currency |
| Assumption of devaluation/appreciation by 10% of USD against TL              |  |  |  |  |
| 1- Net USD asset/(liability)   | 152.794                                | (152.794)                              | 596.827                                | (596.827)                              |
| 2- Part of hedged from US Dollar risk (-)                                    | -                                      | -                                      | -                                      | -                                      |
| <b>3- Net US Dollar effect (1+2)</b>   | <b>152.794</b>                         | <b>(152.794)</b>                       | <b>596.827</b>                         | <b>(596.827)</b>                       |
| Assumption of devaluation/appreciation by 10% of Euro against TL             |  |  |  |  |
| 4- Net EUR asset/(liability)   | (295.869)                              | 295.869                                | (17.412)                               | 17.412                                 |
| 5- Part of hedged from EUR risk (-)  | -                                      | -                                      | -                                      | -                                      |
| <b>6- Net EUR effect (4+5)</b>   | <b>(295.869)</b>                       | <b>295.869</b>                         | <b>(17.412)</b>                        | <b>17.412</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>(143.075)</b>                       | <b>143.075</b>                         | <b>579.415</b>                         | <b>(579.415)</b>                       |

For the periods ended December 31, 2015 and 2014, total import and export of the Company comprised the following:

|               | December 31, 2015 | December 31, 2014 |
|---------------|-------------------|-------------------|
| Total exports | 63.297.817        | 68.446.627        |
| Total imports | 92.846.517        | 80.615.558        |

# 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, 2015

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

### NOTE 28 – 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 as at December 31, 2015 and December 31, 2014.

| As of December 31, 2015<br>Maturity per agreements | December 31, 2015 |                                 |            |             |
|--|-------------------|---------------------------------|------------|-------------|
|  | Book value        | Total contractual cash outflows | 0-3 Months | 3-12 Months |
| Non-derivative financial liabilities               | 63.701.488        | 64.765.784                      | 63.765.784 | 1.000.000   |
| Short term payables                                | 20.558.313        | 21.622.609                      | 20.622.609 | 1.000.000   |
| Trade payables                                     | 39.970.785        | 39.970.785                      | 39.970.785 | -           |
| Other payables                                     | 19.613            | 19.613                          | 19.613     | -           |
| Employee benefit obligations                       | 2.599.603         | 2.599.603                       | 2.599.603  | -           |
| Other short term liabilities                       | 553.174           | 553.174                         | 553.174    | -           |

| As of December 31, 2014<br>Maturity per agreements | December 31, 2014 |                                 |            |             |
|--|-------------------|---------------------------------|------------|-------------|
|  | 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  | -           |



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**NOTE 28 – 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.

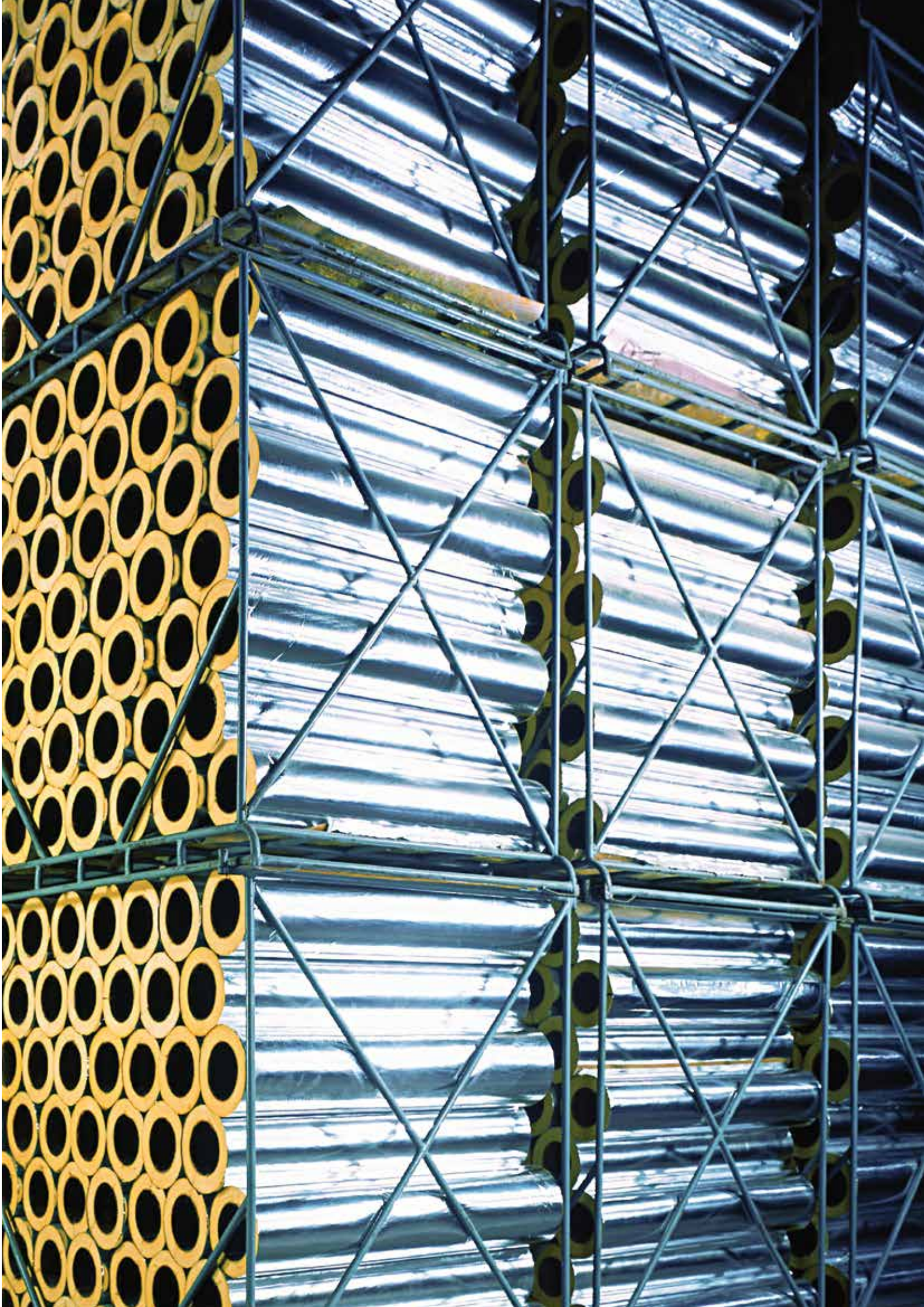
**Other**

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

**NOTE 29 – 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