

2018
ANNUAL REPORT



Only the people who have experienced the comfort of 53 years will understand...

Izocam, with the Multi Comfort System developed by its innovative vision, offers custom insulation solutions, turning your investments into income and comfort. Izocam Multi Comfort, with the latest technology insulation solutions it carries out in residential and commercial buildings, increases your living comfort by keeping cold, heat, humidity, noise and polluted air insulated in residential and commercial buildings. It preserves your economical comfort by decreasing heating and cooling expenses of your living space and your building's maintenance related expenses dependent on corrosion to minimum levels. It helps you to delete your carbon level you release to the environment. You also make the most reasonable investment in your living areas with the perfect insulation of Izocam Multi Comfort.

Izocam At A Glance

Izocam, the leading company of the insulation sector in our country

BRIEF HISTORY

Izocam keeps its leading position in the insulation sector since its establishment in 1965.

The first factory of Izocam A.S., who is the pioneer of insulation sector in Turkey, came into operation by starting to glass wool production in 1967. A second glass wool factory was established in Tarsus in 1986, and the capacity of this facility was doubled in 1992. By means of increasing the glass wool capacity of the factory in Tarsus; glass wool production of Gebze facility was turned to stone wool production in 1993.

At present, mineral wool production is made with totally 130.000 tons/year capacity; 55 thousand tons/year of that coming from glass wool facility and 75 thousand tons/year of that coming from stone wool facility. Glass wool production is maintained with Saint-Gobain Isover France license and TEL process; and stone wool production is maintained with Saint-Gobain Isover G+ H AG Germany license and Sillan process.

In 1982, Izocam started to expanded polystyrene (EPS) production with the brand name Izopor in the facility established in Gebze. Our total capacity is 6.000 tones/year.

The total established capacity of Izocam, starting to the production of extruded polystyrene (XPS) in Gebze facility with the brand name Foam board and 90.000 m3

capacity per year, came to 720.000 m3/year with the new investment made in Gebkim in 2011.

Elastomeric rubber foam, whose production was started in Izocam Eskisehir facility with 500 tons/year capacity in April of the year 2000, has also reached 4.000 tons/year capacity. Besides, yearly capacity of polyethylene foam, whose production was started with the brand name Izocam PEflex beginning from the year 2005 in Izocam Eskisehir facility, is 700 tones/year.

Stone Wool Panel, Trapeze and Polyurethane Panel roof-facade coating and Cold Storage Panel products are manufactured with various features, in intended colours and paint types under the brand name Izocam Tekiz in Tekiz Facilities which has been established within the structure of Koc Community in 1966 and which was included in the structure of Izocam in 2005. Tekiz Facility has a yearly panel processing capacity of 4.000.000 m2 and steel plate processing capacity of 3.000.000 m2.

Izocam brought XPS, EPS and Tekiz panel productions together in Gebkim facilities which came into operation in 2011. Additionally, production is made in our Tarsus facility with one XPS line.



Izocam, exporting all of its products in international standards manufactured with its high technology and providing an important amount of foreign currency input into our country; makes exports to totally 36 countries, especially The Balkans, Commonwealth of Independent States, Turkic Republics, Middle East and Africa.

Izocam, exporting all of its products in international standards manufactured with its high technology and providing an important amount of foreign currency input into our country; makes exports to totally 36 countries, especially The Balkans, Commonwealth of Independent States, Turkic Republics, Middle East and Africa. Izocam is the leading company with its wide range of products ensuring protection against heat, cold, voice, fire and water and with its technical consultancy services, in our country today. Izocam meeting the requests and expectations of its customers on time and with an environmentalist approach, in accordance with the globalizing world standards, 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 facilities. Izocam products are supplied to the market with CE sign which means “material enabling the product to meet the needs specified in the regulations” in accordance with 6th article of International Building Material

Regulations. At the same time, mineral wools has EUCB certificate which is issued only for the bio product category for stone wool and glass wool.

In addition, Izocam products are manufactured in compliance with criteria of Turkish Standards Institute (TSI).

Izocam Holding A.S., our controlling shareholder residing in the address, Ahular Sokak No.15 Etiler – Istanbul, has been established in 14 November 2006 and its capital amounting 401.874.000,-TRL is shared equally in between Alghanim Izolasyon Yatirim A.S. and Saint Gobain Weber Yapi Kimyasallari San. Ve Tic. A.S.

Izocam Holding A.S. has various investments in Turkey. Activity field of the company is specified in PURPOSE AND SCOPE definition of its Principal agreement as follows: “The purpose of the company is being involved in the capital management of companies which has been established or will be established by itself or others; and to bring solutions for the investment, finance, organization and management related issues of those within a collective structure and within the frame of principles of modern business administration; to distribute risks and to provide the continuance of investments safely against the risks”

Capital and Shareholding Structure

With the synergy we have created, we use our energy efficiently

The registered capital ceiling of our Company is 60 million TRL and issued capital is 24.534.143,35 TRL. There has been no change in the issued capital of the company within the period.

Share of profits are as follows within the course of last three years:

- 52,58% out of the paid capital, in 2016
- 0% out of the paid capital, in 2017
- 0% out of the paid capital, in 2018

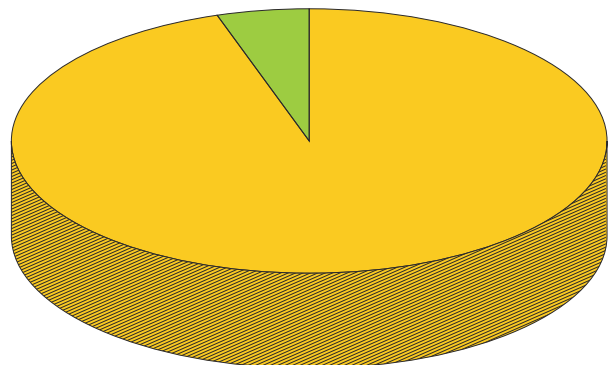
Share of profit policy of our company is based on maximum distribution of profit.

Paid capital of the company is 24.534.143,35 TRL and it is totally paid and covered. All of the issued capital has been divided into 2.453.414.335 shares for the names, each having 1 cent nominal value and there is no privileged share in the capital of company. Each and every 1 share has 1 right to vote, we have nearly four thousand shareholders, most of them being real person, in the public part of our capital.

Our company's shareholding structure has not been changed since 31 December 2018 and it is a partnership subject to the joint management established by 1.501.330.396 shares which is not traded in Borsa Istanbul Anonim Sirketi, purchased by Izocam Holding Anonim Sirketi, still being in the position of controlling shareholder, from Koc Group on 29 November 2006 corresponding to 61,16% of our company's capital and in addition, shares purchased

from Borsa Istanbul Anonim Sirketi until 10 July 2007 and which is traded in Borsa Istanbul Anonim Sirketi together with the Alghanim Group and share ratios of both parties is fifty percent for each.

Capital and Shareholding Structure



		Total
İZOCAM Holding A.Ş.	23.324.476,84	24.534.143,35
	95,07%	100%
Other Part open to Public	1.209.666,51	
	4,93%	

ÖNCE BİR BİNA...








SONRA BÜTÜN DÜNYA...



Sürdürülebilir bir gelecek hayal değil.

Çocuklarımıza, sağlıklı bir dünya bırakmak için gidilecek bu uzun yolculuğun ilk adımı, enerjimizi korumak için etkili önlemleri almaktan geçiyor. Enerji verimliliğini en üst düzeye çıkaran **Multi Konfor** bina çözümleri için İzocam hep yanınızda.

www.izocam.com.tr

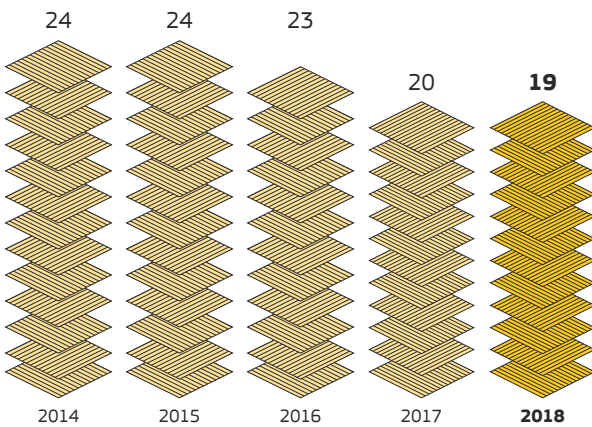
-  izocam
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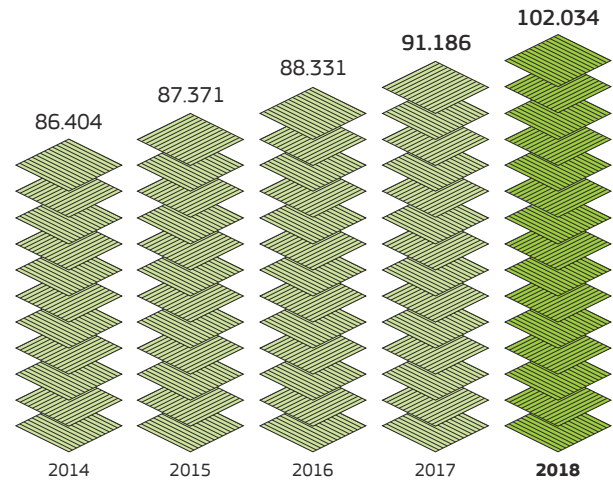
Basic Indicators

We have increased our net sales by 17,9% in 2018

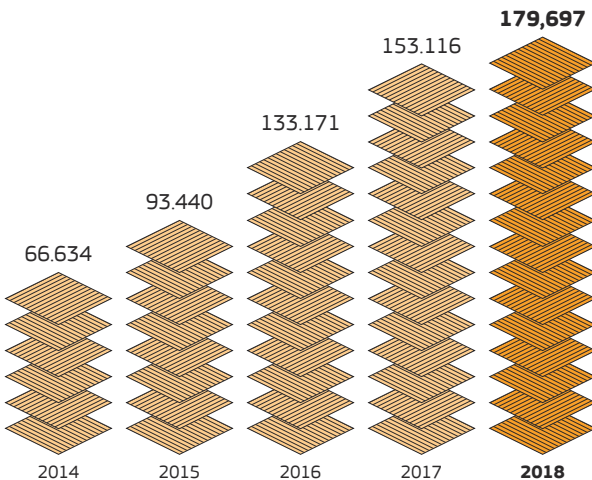
Gross Margin (%)



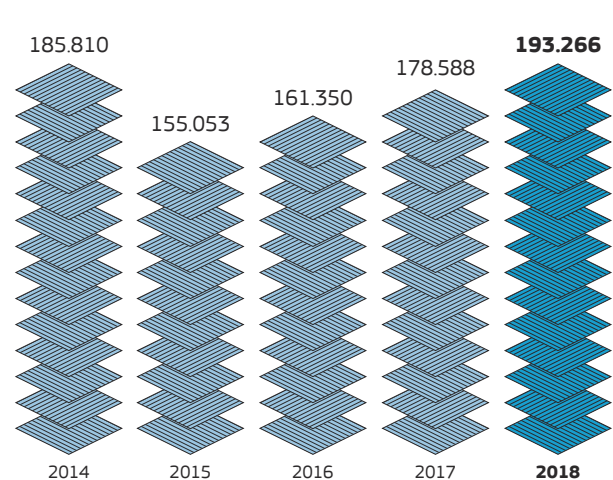
Gross Profit (Thousand TRL)

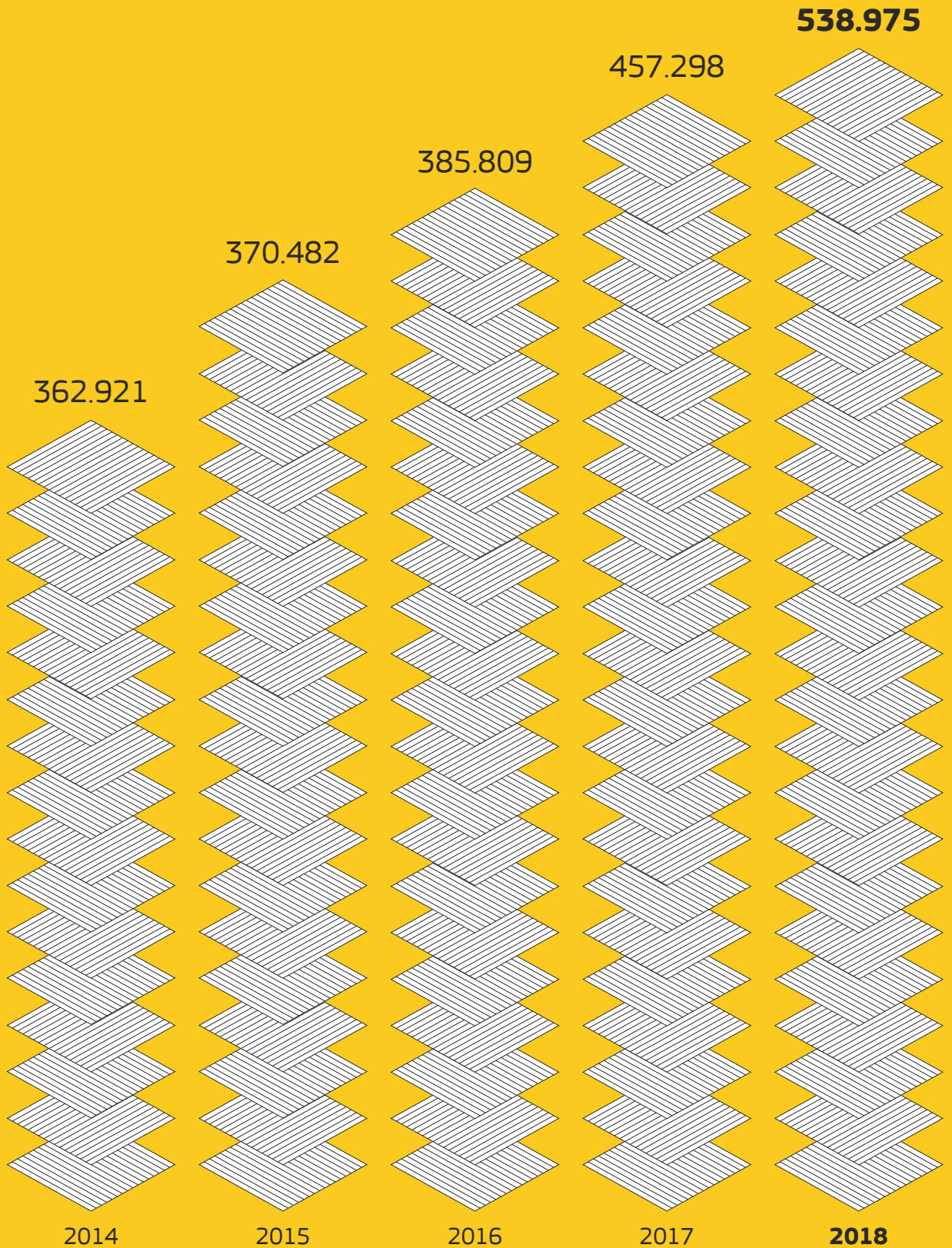


Liability (Bin TL)



Equity (Thousand TRL)



Net Sales (Thousand TRL)

Historical Development of Izocam

An experience of achieving the earliest for more than an half century...



1960'LAR

1965

Izocam has been established in Karakoy, Istanbul for the purpose of manufacturing glass wool.

1966

Tek-Iz was established.

1967

The first glass wool furnace was activated.

1968

Izocam has been one of the first companies of Koc Group to make export.

1969

The first technical consultancy offices were established in Ankara and Adana.



1970'LER

1974

Izocam has been a company completely belonging to Koc Group, with the withdrawal of 15% shares from the Australian partner.

1975

The first TV commercial of Izocam was featured in as "Sag Olasin Izocam / Thank You Izocam".

1976

The first removable, modular wall application was made in Turkey.



1980'LER

1982

Gebze EPS (Expanded Polystyrene) Facility has given a start to the production.

1985

1st, 2nd and 3rd Regional Sales Offices were opened in Istanbul, Ankara and Adana, respectively.

1986

Tarsus Glass wool Facility has given a start to the production.



1990'LAR

1990

Beylikduzu EPS Block Facility has given a start to the production.

1991

4th Regional Sales Office of Izocam was opened in Izmir.

1993

Stone wool production has been started in Gebze Facility.

1995

XPS (Extruded Polystyrene) Facility has come into operation in Gebze.

1998

Bolu EPS Block Facility has given a start to the production.

The first independent Insulation Training Center of Turkey was opened.



2000'LER

2000

Eskisehir Elastomeric Rubber Production Facility has given a start to the production.

2001

The first interuniversity insulation competition of Turkey was organized.

2005

Tek-Iz Panels and Izocam were merged under the brand name, Izocam.

2006

Polyethylene foam production was started in Eskisehir Facility.

Koc Holding period was finished.

EPS Block Production Facilities in Russia, Beylikduzu and Bolu were transferred to Arcelik.

2007

The transfer of the Company to Saint-Gobain (Isover) and Alghanim was completed.

2010

Bursa Sales Office was transformed in to 5th Regional Sales Office.

A separate Tekiz Panel Sales Team was established. GEBKIM land was purchased and new XPS investments were started.

2011

GEBKIM Facility was opened.

2012

The capacity of Stone Wool Facility was increased and 3rd production line was established in Gebze.

2014

Tekiz land, found in Istanbul, Umraniye was sold for 21,1 million US Dollars.

2015

Izocam was deemed worthy of an Award of Company Increasing Its Note in Corporate governance Index the Most Within the Course of Last One Year.

2016

The first robotic palletizing system was established. Izocam has improved its own rubber formulation and its machinery line in Eskisehir facility was renewed in this direction.

2017

ISO 27001 Information Security Management Systems Certificate was obtained.

2018

Enibra bordereau project was completed, QDMS system was put into use, the project of transition into SAP was approved, and FM Approval certificate was obtained.

Our Vision, Mission and Values

By means of our vision, we have claimed to be listed at the top of the insulation sector.

OUR VISION

Being the trustworthy leader of the insulation sector in our country and nearby countries, growing straightly in the industry, spreading insulation and energy efficient consciousness, warranting maximum use of insulation comfort to the people and accordingly protecting the environment are our main goals.

OUR MISSION

Becoming different in the product and service by manufacturing the product of world quality in facilities having respect to the people and the environment, improving human resources continuously, putting new products on the market, completing insulation products range in the whole insulation sector with the latest technologies and in accordance with the market demands and customer satisfaction; growing by spreading the insulation consciousness, maintaining the image of "Insulation is Izocam" and to be number one of the Industry.

OUR INDISPENSABLE VALUES

Izocam has been in service since the year 1965 until now in both our country and nearby countries, as a trustworthy leader of the insulation sector and has adopted, growing all the time and, while growing, being a model company in every field by being involved in activities beneficial for the environment, as principle.

While realizing those goals, we have arranged the following principles which will give us a direction in our working life and are indispensable, for the purpose of determining, applying and protecting values which are in compliance with our corporate structure, will carry the awareness and trustworthiness of the brand name Izocam in relations both in between our employees and in between our company and third parties more steps further.

Working Principles

Respect to Laws, Respect to Environment, Occupational Health and Security, Respect to the Rights of Employees.

Behavioural Principles

Professional Liability, Respect to People, Trueness, Honesty, Unity.

Achievements and Awards

The most basic indicator of the future is our success in the past.



2016

ISIB

“Successful Exporters of 2015” Awards,
Insulation Materials Category Award

Harvard Business Review

Izocam General Manager Mr. A. Nuri Bulut
“The Best Performing CEO” Award

Corporate governance

Award Ceremony

Award of Company Increasing Its Note
in Corporate governance Index the Most
Within the Course of Last One Year.

World Newspaper Stars of Export, Incentive Awards

Special Award of Export Finding Solution
for Sustainability

2017

ISIB

“Successful Exporters of 2016” Awards,
Insulation Materials Category Award

Galaxy Awards

Activity Report of the year 2016, Galaxy
Awards Honourable Mention Award



2018

ISIB

ISIB- “Successful Exporters of 2017” Awards,
Insulation Materials Category Award

Letter from the Chairman

We are in a position to be the symbol of sustainable success

We have increased our sales by 17,9% in 2018, compared to the last year, and closed with a sales revenue of 539 million TRL

Moving past the 53rd anniversary of our organisation, we preserved most of our market share despite the new producers entering our industry and the increase in capacity, and concluded 2018 as the leader of the Turkish insulation industry. We, along with all our employees, will keep striving to make a difference with our activities to attain permanent supremacy, offering new products to safeguard the brand value of Izocam, maintaining our position as the leader of our industry, and fulfilling our responsibilities.

2018 witnessed major fluctuations in terms of economic outlook and growth. In such a period, we managed to increase our sales volume by 18%, maintaining both our market share and profitability. As the Company to Export the Highest Amount of Insulation Materials in 2017, we were given the same award at the Stars of Exports Awards held by the Turkish HVAC&R Exporters Association (ISIB).

2019 will be a year where the transformation of our company will continue. Our priorities in the coming period will be to renew the Information Systems infrastructure, improve R&D activities, develop the vision of worker health and occupational safety, and complete the investments for stone wool oven renovation. Our goals for 2019 are to continue to be successful, increase our share in both the domestic and the exports markets, and create better values for our country, environment and stakeholders.

In 2019, we will strive to build on our success as a company so far and to continue to grow, achieving better results with new projects and investment plans. I would like to thank, from the bottom of my heart, all our stakeholders who made it possible for us to make our dreams come true and make Izocam the leading company in the industry.



SAMIR MAMDOUH KASEM

Chairman

A stylized, handwritten signature in black ink, appearing to read 'Skasem'.

Message from the General Director

With our investments, we move into the future with confidence.

On the side of profitability, our operating profit occurred as 38.7 million TRL and, compared to the last year, we have increased our main operating profitability by 5.8 Million TRL. As a result; compared to the year 2017, there has been an increase of 17.9% in our sales revenue and a growth of 18% in our operating profit, within the reporting period.

Dear Shareholders,

We have seen a GDP growth decelerating every quarter within the course of first three quarters of the year 2018. The growth of 7,2% in the first quarter fell to 5,3 in the second quarter and 1,6% in the third quarter. Similarly, the construction industry growth fell from 6,7% in the first quarter to 1% in the second and to -5,3% in the third quarter by giving its place to recession. Especially the fluctuations of exchange rates and increase in the inflation and interests in the third quarter played role in this result.

In a year of fluctuations in the growth data, as Izocam, we have succeeded in growing our sales by 17,9% and we have closed the year 2018 with a net sales revenue equalling 539 million TRL and net profit equalling 15.8 million TRL. 112.3 Million TRL of our sales was composed of exports revenue. In 2018, domestic market sales were increased by 15.7% and exports revenue was increased by 38.8% on the basis of TRL, compared to the last year. While our net sales was excessive by 27.6% in the first 9 months of the year compared to the same period of the last year; regression of our net sales by 3.5% in the last quarter of the year compared to the same period of the last year kept us from closing the year with a much more growth in 2018. The reason of that position is the fast constriction of our industry within the course of the last quarter of the year.

For the profitability side, our operating profit for the year 2018 was 38.7 Million TRL and we have increased our main operating profitability by 5.8 Million TRL compared to the last year. As a result; there has been an increase of 17.9%

in our sales revenue and a growth of 18% in our operating profit in the reporting period, compared to the year 2017.

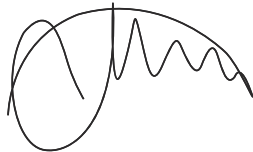
Our net profit fell from 18 Million TRL to 15.8 Million TRL because of the increase in our financial expenses equalling 7.3 Million TRL. In response to the fact that there has not been any increase in the financial indebtedness of our company, the basic reason of the increase in financial expenses is increases in interest rates in 2018.

It is difficult to foresee what kind of a year 2019 would be, from today. However, in spite of all of these difficulties, we will continue to grow contributions of our company for all of our shareholders and to work with all of our efforts in order to provide added value for both the economy of country and our shareholders.

As a brand name having an important place in our industry with "The name of insulation in Turkey" and "Thank You Izocam" slogans; we continue our way with the vision of being the leader manufactured/supplier company of Turkey in the field of the development of sustainable energy efficient buildings, energy efficiency and multi comfort buildings. In order to carry out this vision, we will continue our investments and studies to take more steps further for the designs of buildings, product and technical support with our expert staff, in 2019.

Within this framework, I hereby would like to express my thanks to all of our employees, dealers and customers, business partners and all other shareholders for their part and contributions in the success of our company.

I wish the year 2019 will be a year where we can make more values for our shareholders and we will carry our company to better results all together.



LEVENT GOKCE
General Director



Industrial Improvements

The year 2018 was a year where our growth accelerated in spite of the inflation.

We have achieved to grow our total sales in both domestic market and export markets by double-digit numbers in a year where Turkish Lira has lost value by 7,1% against US Dollars and by 21,8% against euro.

GENERAL VIEW OF THE LAST ONE YEAR IN GENERAL ECONOMY

It is more proper to make an assessment of our industry in two different terms, for the year 2018. The first period until August and the second period where Turkish Lira lost a great amount of value and inflation and interest increased rapidly.

Both the insulation sector and our company performed successfully in the first period of the year, compared to the same period of the previous year. In this period, we have succeeded in catching up of a growth in sales amount, sales revenue and profitability of the company at a level higher than the industry. The first period of the year was the one where GDP continued to grow, confidence indices were powerful and tourism and industrial production increased, for the Turkish economy.

There has been a serious amount of regressions both in the consumer and real industry confidence as a result of the fast loss of value in Turkish Lira and increasing interests, in the period after August. In conclusion of that; we have encountered serious constriction in our sales within the course of, especially, the last quarter of the year. We have lived a serious amount of decrease in our profitability in the last quarter of the year when cost increases, with the effect of the exchange rates and inflation, in energy prices came together with the recessive sales amounts.

For the construction industry, there has been a recession of 71% in new residential building licenses in the third quarter, compared to the previous quarter. In 2017 for the residential building sales;

The highest residential building sales of Turkish history happened with 1,409,314 residential buildings. In 2018, 1,375,398 residential building sales were made. Although there has been a -2,4% decrease in residential building sales compared to the year 2017, we have left the second year where highest amount of residential building sales happened in terms of years. Nearly 14% decrease in real residential building prices supported the residential building sales in this period.

There has been a recession of -5,3% in the construction in the third quarter of the year. As a result of this, there has been the first negative growth of the construction industry after 14 quarters since the first quarter of the year 2015.

Starting from December of the year 2018; we have not seen the positive reflections of inception of re-valuation in Turkish Lira, the recession of interest and inflation rates on the construction industry, in the short term. However, we think that the credit claims will increase and the growth in residential building sales will continue in case of permanent valuation of Turkish Lira and recession of interests to the levels of the year 2017.

For the next period; we think insulation consciousness and insulation material consumption will increase as energy costs increasing at high rates will also increase the return of energy efficient. On the other hand, we are of the opinion that the increase in our exports happening at the same time with the fast growth in tourism will encourage investment in those areas and accordingly that may have positive effect on the construction industry.

IMPROVEMENTS OF INDUSTRIAL LEGISLATION FOR THE YEAR 2018

There has been no change in the legislation related to the activity field of our company within the course of this year, which will affect our activities significantly. Noise Legislation for Buildings came into force in June of the year 2018. However, we think the spread of field application of the legislation will contribute to the growth of the insulation sector in 2019 and thereafter.

THE NEWEST SOLUTIONS COME FROM İZOCAM FOR EVERY KIND OF NEED!

- High thermal insulation
- Fire safety
- Sound Insulation
- Easy application
- Light

INDUSTRIAL BUILDING BOARD
 λ 0,037 W/M.K

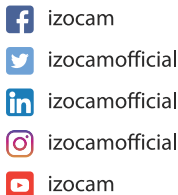
PARTITION WALL BOARD
 λ 0,037 W/M.K
PARTITION WALL BOARD®
 λ 0,035 W/m.K



INDUSTRIAL BUILDING BOARD
 λ 0,035 W/m.K

NEW FACADE BOARD
 λ 0,035 W/m.K

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İZOCAM

Production and Products

We continue to be the pioneer of the industry.

PRODUCTION

There has been a decrease in capacity usage ratios of panel and plastic products as a result of the constriction in our export markets in 2018. Production amounts and capacity usage ratios of the year 2018 as per the product groups are as follows.

Glass wool products which are manufactured in Tarsus and referred to as mineral wool, generating the most important part of production and total sales amount of our company, and stone wool products which are manufactured in our facility located in Dilovasi Organized Industrial Site are manufactured in various types, shapes and compositions and find a very wide range of areas of use as thermal and sound insulation material in industrial and agricultural facilities, energy investments and residential building industry.

There has been a chance to write off thermal insulation and energy efficient related expenses directly. In addition, it is possible to write off expenses related to increasing the economic value of the estate included in the business in accordance with Law 6728, directly within the course of the year those accrue.

Other group of products we manufactured are expanded and extruded polystyrene that are manufactured in our facilities located in Gebkim – Dilovasi Organized Industrial Site and Tarsus. Those products are commonly used,

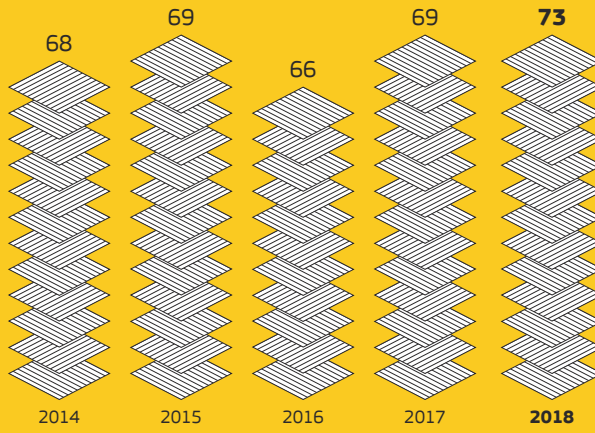
especially, in wet and cold type insulation applications.

Roof and facade panel (insulated and non-insulated) products are manufactured in our Tekiz Panel Production Facility located in Gebkim-Dilovasi Organized Industrial Site.

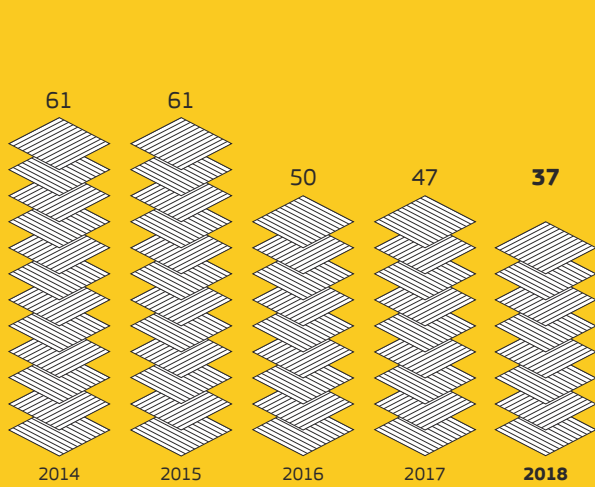
Elastomeric rubbers and polyethylene manufactured in our facilities located in Eskisehir Organized Industrial Site are generally used for the insulation of pipes, tanks and similar cold type installations.

CAPACITY USAGE RATIO

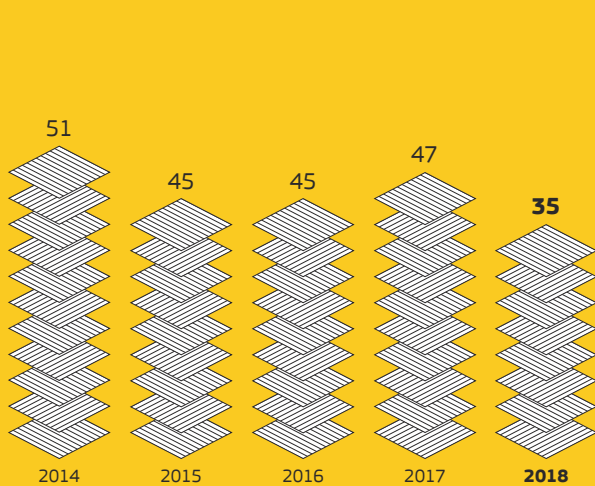
Mineral Wools (%)



Panel Products (%)

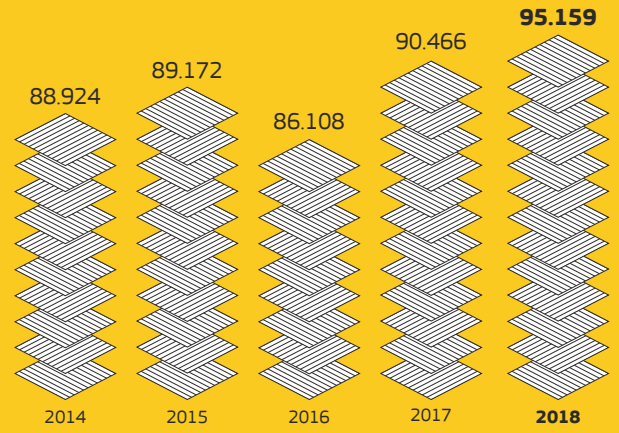


Plastics (%)

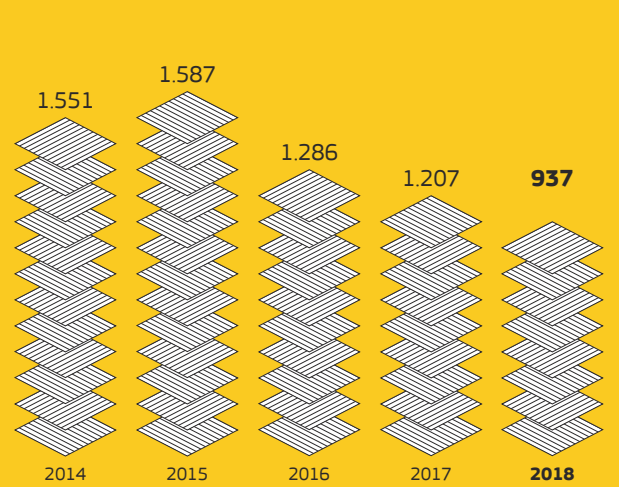


ÜRETİM

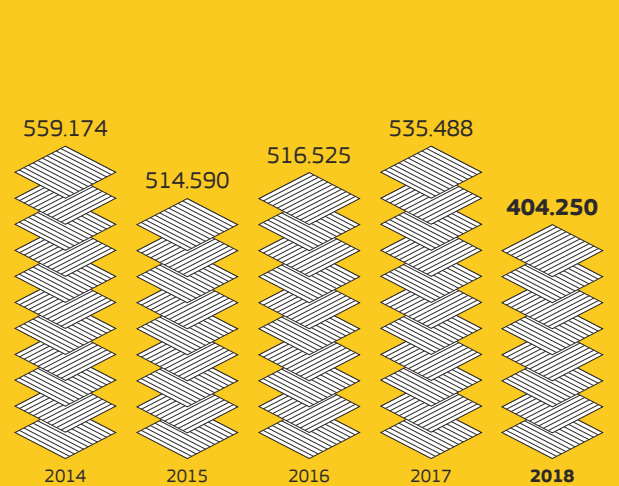
Mineral Wools (Tons)



Panel Products (Thousand m²)



Plastics (Thousand m³)



Production and Products

We provide insulation solutions for all kinds of structures.



GLASS WOOL

Uncoated glass wool products are at A1 class of “non-combustible materials” according to TS EN 13501-1.

Our glass wool product is formed by transforming inorganic raw materials, supplied domestically, into fibre by being melted at 1200-1250oC. It can be manufactured in different dimensions and technical specification, with different coating material, in the form of blanket, board and pipe according to the intended place and purpose. It provides fire safety together with thermal insulation, sound insulation and acoustic arrangement.

PRODUCTION

- It is manufactured with Saint-Gobain Isover, France TEL license.
- It is manufactured in facilities having Certificates of ISO 9001 Quality Assurance System, ISO 14001 Environment Management System, ISO 50001 Energy Management System, OHSAS 18001 Occupational Health and Security Management System issued by Bureau Veritas.
- Izocam Glass Wool products subject to the standards used in TS EN 13162 thermal insulations of buildings and TS EN 14303 building installations and industrial applications, are provided with CE marking within the frame of Construction Materials Regulations (305/2011/AB).
- Izocam Glass Wool products have EUCB and EPD certifications.

GENERAL INFORMATION

- Value statement of thermal conductivity (at 10oC) is $0,031 \leq \lambda \leq 0,043$ W/mK.
- Depending on the value statement of thermal conductivity, Izocam Glass Wool products are from thermal conductivity groups of 035, 040 and 045.
- Water vapour diffusion resistance factor is $\mu = 1$.
- Depending on the product type, usage temperature is in between -50/+250oC. Loose glass wool products can be used up to 500oC. Besides, special glass wool products used in between -200/+450oC, can also be manufactured.
- Melting temperature >800oC.
- Rather, in case of any exposure to heat and humidity, there happens no change in its dimensions.
- It is not corrupted, corroded, does not get mouldy, does not make corrosion and rusting in time. It could not be destroyed by insects and microorganisms.
- It is neither hygroscopic nor capillary.
- Uncoated glass wool products are at A1 class of “non-combustible materials” according to TS EN 13501-1.

Production and Products

STONE WOOL

It is manufactured with Saint-Gobain Isover Grünzweig+Hartmann Germany Sillan license.

Our stone wool product is formed by transforming inorganic raw materials, supplied domestically, into fibre by being melted at 1350-1400oC. It can be manufactured in different dimensions and technical specification, with different coating material, in the form of blanket, sheet, pipe and casting according to the intended place and purpose. It provides fire safety together with thermal insulation, sound insulation and acoustic arrangement.



PRODUCTION

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- It is manufactured in facilities having Certificates of ISO 9001 Quality Assurance System, ISO 14001 Environment Management System, ISO 50001 Energy Management System, OHSAS 18001 Occupational Health and Security Management System issued by Bureau Veritas.
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- Izocam Stone Wool products have EUCB and EPD certifications.

GENERAL INFORMATION

- Value statement of thermal conductivity (at 10oC) is $0,035 \leq \lambda \leq 0,039$ W/mK.
- Depending on the value statement of thermal conductivity, Izocam Stone Wool products are from thermal conductivity groups of 035 and 040.
- Water vapour diffusion resistance factor is $\mu = 1$.
- Depending on the product type, usage temperature is in between -50/+650oC. Melting temperature >1000oC.
- Rather, in case of any exposure to heat and humidity, there happens no change in its dimensions.
- It is not corrupted, corroded, does not get mouldy, does not make corrosion and rusting in time. It could not be destroyed by insects and microorganisms.
- It is neither hygroscopic nor capillary.
- Uncoated glass wool products are at A1 class of “non-combustible materials” according to TS EN 13501-1.

Production and Products



EXTRUDED POLYSTYRENE (XPS) FOAMBOARD

Extruded Polystyrene (XPS) Foamboard products are manufactured in accordance with TS EN 13164.

It is manufactured with polystyrene raw material by the use of extrusion method. It can be manufactured in the form of sheet in different dimensions and pressing resistance, with different side and surface shapes coating material. It is used for the purpose of thermal insulation.

PRODUCTION

- It is manufactured in facilities having Certificates of ISO 9001 Quality Assurance System, ISO 14001 Environment Management System, ISO 50001 Energy Management System, OHSAS 18001 Occupational Health and Security Management System issued by Bureau Veritas.
- Izocam Foamboard products subject to the standards of TS EN 13164 are provided with CE marking within the frame of Construction Materials Regulations (305/2011/AB).
- Izocam Stone Wool products have EUCB and EPD certifications.

GENERAL INFORMATION

- Value statement of thermal conductivity (at 10oC) is $0,030 \leq \lambda \leq 0,039$ W/mK.
- Depending on the value statement of thermal conductivity, Izocam Stone Wool products are from thermal conductivity groups of 030 and 035.
- Water vapour diffusion resistance factor is $\mu = 90-100$.
- Usage temperature is in between -50/+75oC.
- It has 100% closed cellular homogenous cell structure and it does not take water into its structure.
- It does not have any capillary absorptivity.
- Its pressing resistance is so high.
- Although it is resistive to acid and base chemicals, it is sensitive to flue gases, methane group gases, fuel group, ether, ester and amine group chemicals.
- It is sensitive to ultraviolet (UV) rays of the sun. It should be prevented from direct sun rays.
- It is from E class in accordance with TS EN 13501-1.

Production and Products

EXPANDED POLYSTYRENE (EPS) IZOPOR AND IZOPOR PLUS

Izocam Izopor products subject to the standards of TS EN 13163 are provided with CE marking within the frame of Construction Materials Regulations.

It is formed by way of pentane gas found in the raw material granules inflating the granules and sticking them to each other as a result of the polystyrene raw material being in contact with the water vapour. It can be manufactured in the form of sheet in different dimensions and technical features. It is used for the purpose of thermal insulation.



PRODUCTION

- It is manufactured in facilities having Certificates of ISO 9001 Quality Assurance System, ISO 14001 Environment Management System, ISO 50001 Energy Management System, OHSAS 18001 Occupational Health and Security Management System issued by Bureau Veritas.
- Izocam Izopor Plus products subject to the standards of TS EN 13163 are provided with CE marking within the frame of Construction Materials Regulations (305/2011/AB).

GENERAL INFORMATION

- Value statement of thermal conductivity (at 10oC) is $\lambda \leq 0,032 \text{ W/mK}$.
- Depending on the value statement of thermal conductivity, Izocam Izopor products are from thermal conductivity groups of 035.
- Water vapour diffusion resistance factor is $\mu = 20-100$.
- Usage temperature is in between $-50/+75\text{oC}$.
- It does not have any capillary absorptivity.
- Although it is resistive to acid and base chemicals, it is sensitive to flue gases, methane group gases, fuel group, ether, ester and amine group chemicals.
- It is sensitive to ultraviolet (UV) rays of the sun. It should be prevented from direct sun rays.
- It is from E class in accordance with TS EN 13501-1.

Production and Products



RUBBER FOAM – IZOCAMFLEX

Izocamflex products, which are subject to TS EN 14304 Standard, are provided with CE sign within the frame of construction materials regulations.

Izocamflex is a thermal insulation material having an elastomeric rubber based, closed cellular, regular cell structure. It can be manufactured with different kinds of coating materials in the form of sheet and pipe, in different dimensions and technical features, according to the intended place and purpose. It is used for the purpose of thermal insulation and condensation controlling.

PRODUCTION

- It is manufactured in facilities having Certificates of ISO 9001 Quality Assurance System, ISO 14001 Environment Management System, ISO 50001 Energy Management System, OHSAS 18001 Occupational Health and Security Management System issued by Bureau Veritas.
- Izocamflex products subject to the standards of TS EN 14304 are provided with CE marking within the frame of Construction Materials Regulations (305/2011/AB).

GENERAL INFORMATION

- Value statement of thermal conductivity (at 10oC) is $\lambda \leq 0,036$ W/mK.
- Water vapour diffusion resistance factor is, $\mu \geq 5000$ and $\mu \geq 7.000$.
- Usage temperature is in between -50/+110oC for the pipe products, -50/+105oC for the sheet products. Besides special products which can be used in between -50/+175oC or $\lambda \leq 0,033$ W/mK, $\mu \geq 10.000$ values can also be manufactured.
- It is so flexible and there is no mushroom and mould growth.
- Sheet products are from B-s3, d0 and pipe products are from B-s2, d0 classes, respectively, according to TS EN 13501-1.

Production and Products

Solutions offering thermal, voice and acoustic insulations together...

POLYETHYLENE FOAM – PEFLEX

PEflex products subject to the standards of TS EN 14313 are provided with CE marking within the frame of Construction Materials Regulations (305/2011/AB).

Izocam PEflex has closed cellular cell structure and is a flexible insulation material. It can be manufactured with different kinds of coating materials in the form of sheet, pipe and cord, in different dimensions and technical features according to the intended place and purpose. It is used for the purpose of thermal insulation and condensation controlling.



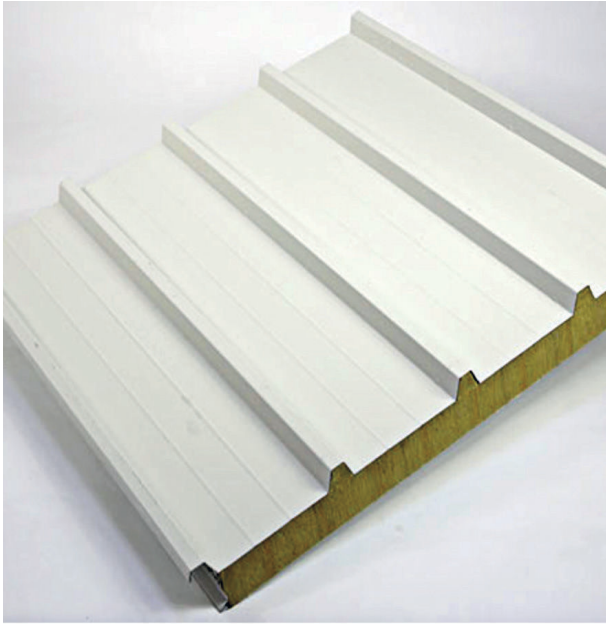
PRODUCTION

- It is manufactured in facilities having Certificates of ISO 9001 Quality Assurance System, ISO 14001 Environment Management System, ISO 50001 Energy Management System, OHSAS 18001 Occupational Health and Security Management System issued by Bureau Veritas.
- PEflex products subject to the standards of TS EN 14313 are provided with CE marking within the frame of Construction Materials Regulations (305/2011/AB).

GENERAL INFORMATION

- Value statement of thermal conductivity (at 10oC) is $\lambda \leq 0,053 \text{ W/mK}$.
- Water vapour diffusion resistance factor is, $\mu > 3000$.
- Usage temperature is in between -45/+80oC.
- It is at E class according to TS EN 13501-1.

Production and Products



INSULATED SANDWICH PANEL

Polyurethane insulated panels are composite roof and facade coatings where strong polyurethane foam is filled in between two formed surfaces.

Insulated panels are materials where insulation nucleus is found in between two formed metal surfaces or in between formed metal surface and water insulation mat. As those are light and resistant, installation time is shortened and it provides thermal, voice, water insulation and fire safety depending on the insulation structure.

Insulated panels can be used in all kinds of structures where fast application is needed and wide spaces should be covered. Nowadays, those are used generally for structures such as industrial structures, shopping centres, warehouses, sports halls etc.

PRODUCTION

- It can be manufactured as stone wool and polyurethane insulated sandwich panel in different lengths and thicknesses, with superior technical specifications in accordance with the intended place and purpose.
- Coating material providing the carriage of the insulated panel can be manufactured from different metals. Those can be PVC or TPO water insulation mat in accordance with galvanized sheet or panel type, in different pattern choices.
- It is manufactured in facilities having Certificates of ISO 9001 Quality Assurance System, ISO 14001 Environment Management System, OHSAS 18001 Occupational Health and Security Management System and ISO 50001 Energy Management System issued by BVQI.

GENERAL INFORMATION

- Metal Wool Insulated Panels preferred for the structures where fire safety is requested, are composite systems which are resistant to fire by means of mineral wool layer at "A" incombustibility class which are used as external metal skin and insulation fill. There can be PVC or TPO water insulation mat on the upper surface. Value statement of stone wool thermal conductivity for mineral wool insulated panels providing high voice and thermal insulation in addition to the fire safety is 0,036 W/mK.
- Polyurethane insulated panels are composite roof and facade coatings where strong polyurethane foam is filled in between two formed surfaces. There can be painted galvanized sheet or, only at the upper surface, PVC or TPO water insulation mat depending on the type of the lower and upper product used in polyurethane panels. They only provide thermal insulation. Value statement of polyurethane thermal conductivity material is 0,023 W/mK.
- Izocam Tekiz Insulated Sandwich Panels are certificated in accordance with the standards of TS EN 14509 and they are subject to provide CE marking within the frame of Structural Materials Regulations (305/2011/AB).



TRAPEZOIDAL PLATE

Trapezoidal plate offering richness of forms and colours are credible roof and facade coating products offering alternative solutions with high load carrying capacity.

Trapezoidal plates, offering richness of forms and colours, are credible roof and facade coating products offering alternative solutions with high load carrying capacity. By means of their functional designs, those can be used without any insulation or together with various kinds of insulation materials. It is possible to apply esthetical details solutions with their capability to give curvilinear form and their profiles which can be manufactured in the intended form.



PRODUCTION

- It can be manufactured from galvanized steel as collocating painted and unpainted, in different thicknesses and forms, according to the intended place and purpose.
- It is manufactured in facilities having Certificates of ISO 9001 Quality Assurance System, ISO 14001 Environment Management System, OHSAS 18001 Occupational Health and Security Management System and ISO 50001 Energy Management System issued by BVQI.
- It can be manufactured from galvanized steel as collocating painted and unpainted, in different thicknesses and forms, according to the intended place and purpose.

GENERAL INFORMATION

- By means of its functional designs, it can be used together with uninsulated or various insulated materials. It is possible to apply esthetical details solutions with their capability to give curvilinear form and their profiles which can be manufactured in the intended form.
- Izocam Tekiz Trapezoidal plates are certificated according to the standards of TS 508-1.
- Trapezoidal plates, offering richness of forms and colours, are credible roof and facade coating products offering alternative solutions with high load carrying capacity.
- Izocam-Tekiz Trapezoidal plates are certificated according to the standards of TS 508-1.

Sales and Profitability

It was a year where we continued to increase our sales.

Explanations related to the balance sheet dating 31.12.2018 and balance sheet items, which we prepared in accordance with Capital Market Board Notices, are presented to your opinions in Annex-1. In addition to this, our income statement for the year 2018 is also submitted to your opinions together with its explanations, in Annex-2.

Funds generated within the course of the year by the company are reserved for investments, operational capital increases, tax and dividend payments and reimbursement of short term credits. Owner's Equity Variation Table and Cash Flow Tables are submitted in Annex-3 and Annex-4, respectively. Financial tables and their footnotes controlled by the independent audit and approved by the Audit Committee as of 31 December 2018, was reviewed by our Board of Directors and was accepted with our decision 795, dating 15 February 2018, and it was decided to be submitted to approval of General Assembly.

As Board of Directors, we declare as of 31 December 2018, as per Article 9 of Second Section of Rules Regarding Financial Reporting in Capital Markets, that financial tables, footnotes and periodical activity reports issued and explained in interim periods and at the end of sixth month reflects the financial position of our company exactly, that those are in compliance with the legislation and that we are responsible for all of the information included in the aforementioned reports.

Sum of the guarantees provided by the company as per the policies of the company is 17.538.508 TRL (31 December 2017; 22.850.828 TRL) and the said guarantees are composed of guarantee letters issued for custom offices, domestic suppliers, banks and tax offices.

NET SALES AND PROFITABILITY

(It has been calculated In Accordance With Capital Markets Board Notices)

Amounts of our product sales are presented in the following table by being compared with the year 2017.

BOARD OF DIRECTORS' ASSESSMENT RELATED TO THE FACT THAT THE COMPANY'S CAPITAL HAS NOT GONE INTO DEBT

As can be understood from the examination of our Balance Sheet and Income Statements, it is observed that there is no circumstance for our company where company's capital was unreturned or went into debt.

SALES, PROFITABILITY, LIABILITIES AND OWNER'S EQUITY

The use of the system of collection with mobile POS devices was increased compared to the previous year, in order to improve the present financial position of the company, follow the receivables and ensure effectiveness.

SALES

(TRL)	2017	2018	%
Domestic	380.452.951	440,244,521	15,7
Domestic Others	20.383.825	22,681,031	11,3
Exports	80.901.902	112,308,957	38,8
Total Gross Sales	481.738.678	575,234,509	19,4
Discounts and Returns	-24.440.951	-36,259,772	48,4
Net Sales	457.297.727	538,974,737	17,9

FINANCIAL INDICATORS

	2014	2015	2016	2017	2018
Sales Revenue (TRL)	362,921,190	370,482,364	385,809,397	457,297,727	538,974,737
Gross Profit/Loss (TRL)	86,403,832	87,370,645	88,330,698	91,185,927	102,034,426
EBIT (TRL)	86,890,704	40,013,079	36,818,694	32,804,017	38,629,515
EBITDA (TRL)	98,169,392	50,936,344	47,909,413	46,013,062	53,812,867
Gross Margin(%)	24	24	23	20	19
EBIT Margin (%)	24	11	10	7	7
EBITDA Margin (%)	27	14	12	10	10

FINANCIAL POSITION

	2014	2015	2016	2017	2018
Liabilities (TRL)	66,634,352	93,440,089	133,171,209	153,116,211	179,696,769
Owner's Equity (TRL)	185,810,074	155,053,362	161,350,325	178,587,885	193,265,552
Financial Liabilities (TRL)	16,870,466	20,558,313	46,049,226	49,866,593	52,805,401
Net Profit Margin (%)	19	8	5	4	3
Owner's Equity Ratio (%)	74	62	55	54	52
Total Liability / Owner's Equity (%)	36	60	83	86	93
Financial Liabilities / Total Assets (%)	7	8	16	15	14
Financial Liabilities / Owner's Equity (%)	9	13	29	28	27

Strategies and Investments

We have made an investment of 38 million TRL in 2018.

INVESTMENT DETAILS IN THE REPORTING PERIOD

Various investments have been made related to the improvement of occupational safety and working environment in all facilities together with the purchase of Stone Wool facility and preliminary preparations for the furnace renovation, improvement of Tarsus filtration system, purchase of company cars and transition into SAP system; within the course of the year 2018.

Total amount of our investment expenses within the course of the year was 37.728.694 TRL (it was 21.744.861 TRL in 2017)

INTERNAL CONTROL SYSTEM

An internal control system has been designed in our company which aims to provide effectiveness and efficiency of operations, reliability of the financial reporting system, compliance with the legal regulations and in order to provide reasonable assurance for the aforesaid points. The main reason for designing such an internal control system is preventing negative results such as money and property loss, taking wrong decisions, occurrence of bribes, loss of income and failure to reach the targets of the company. Effectiveness of the internal control system is tested with the internal audit activities, improvement areas and risky points are reported to the relevant unit managers and top management periodically.

Company has not acquired its own shares within the course

of the year, and again within the course of the same period, it has not been audited by a special audit firm or public audit authority. There is no shareholding in the portfolio of the Company.

There isn't any administrative sanction and penal administration for the company and the members of Board of Directors, and besides, there isn't any important lawsuit filed against the company. There isn't any important incompatibility of our Company with public or private agencies.



GENERAL ASSEMBLY'S DECISIONS

Company's General Assembly met ordinarily on 21 March 2018 for once within the course of the year 2018 and meeting and decision quorum was ensured in the session. Detailed information related to these meetings is found in "Report of Compliance with Corporate governance Principles", all of the issues that were present in the agenda of and were finalized during the General Assembly, were fulfilled within the course of the year.

Information related to the expenditures made by the company within the frame of donation, aid and social responsibility and their beneficiaries,

Our company donated and aided totally 17.160,31 TRL to foundations with social purpose such as Turkish Education Foundation, Dilovasi Municipality, The Foundation For Children with Leukaemia, The Red Crescent and schools, in 2018.

The upper limit for donations and aids, to be made within the donation and aid policy boundaries of the company, will be determined by the General Assembly, in 2019.

Information Related to Targets Set in the Previous Period and Achievement Positions

Financial, customer, employee, technology and corporate based targets which were determined at the end of the year 2018 by the Board of Directors and which also formed the basis for the assessment of the performance of top managers, were achieved to a large extent.

Measures Taken for the Prevention of Problems Related to Investment Consultancy and Grading Companies

There has been no conflict of interest in between our company and institutions supplying the service of investment consultancy and grading services, within the course of the year. For the purpose of preventing probable conflicts of interest, confidentiality conditions and articles which will ensure the prevention of probable conflicts of interest are added in the contracts, protocols before the purchase of such kind of services and confidentiality covenants are put under signature.

Information Related to the Improvements in Investments, Status of Benefiting from Incentives, and Fixed Assets

Our investment policy is making investments which will ensure the continuance of our leadership argument, related to the products we manufactured, in the market and which will bring leadership to our company. Within the course of the year, investments related to the improvement of occupational health and safety of the present facilities and various kinds of capacity, productivity and quality increasing investments have been made. In 2017, Incentive Certificate was obtained for the Stone Wool investment which would be made in Aksaray Organized Industrial Site and the investment has not actually been started and the incentives have not been used yet. Expenditures which will be made within the context of the said certificate will be used in the long term.

Humans, R&D and Environment

Energy-efficient production processes ...

Our Company has passed all external audits within the context of ISO 50001 Energy Management Systems.

As Izocam, we continue to work with the principle of, our priority, occupational safety. All of our facilities have OHSAS 18001 Occupational Health and Safety Management System Certificate, our basic ISG (Occupational Health and Safety) trainings for the employees of Izocam were completed within the course of the year 2018 and for the purpose of the improvement of ISG culture, 1324 one point occupational health and safety audit were made. In addition to the occupational safety, with our environment friendly products and studies made during the phase of production, we give importance to the protection of the environment.

In addition to our ISO 14001 Environment Management System Certificate, our Environmental Product Statements are issued and our Greenhouse Gas Calculations are validated by independent institutions approved by Ministry of Environment and Urbanisation.

We have already been externally audited with success within the context of ISO 50001 Energy Management Systems. Provision of sustainable resources, use of materials with minimum level of environmental effects, decrease in energy we consumed per ton in our products, are some of our Main Environmental Targets.

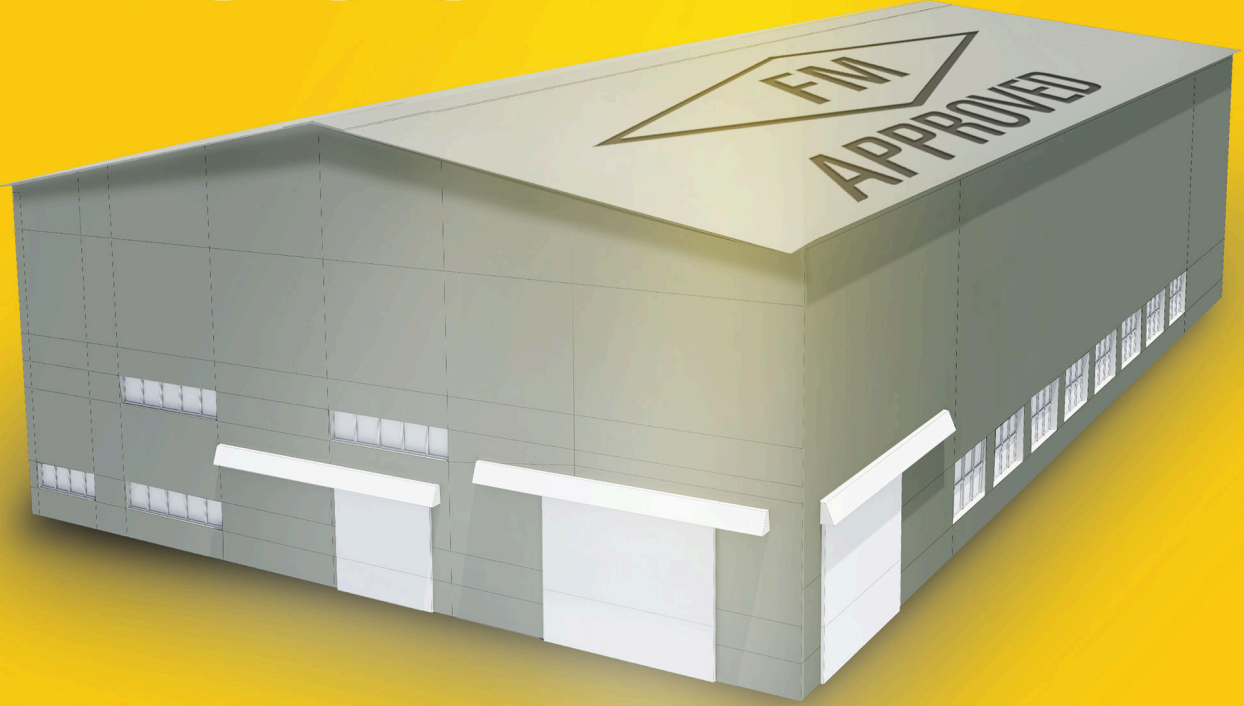
In addition to all of those, our General Management has certificate also in respect of ISO 27001 Information Security Management Systems.



EVERYBODY CAN TALK

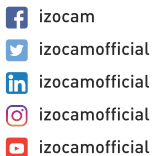
İZOCAM FOLLOWS THROUGH

*"The unrivalled roof coating product Kombi Panel by **İzocam Tekiz** is the first and only FM Approved product in Turkey in the field of membranous roof*



** A global leader of testing and certification services, FM approvals certify that the "products and services" used in commercial and industrial facilities meet the highest standards of quality, technical integrity and performance in the context of damage prevention.*

www.izocam.com.tr



Human Resources

We offer equal working conditions to all of our employees...

A More Modern Human Resources Structure...

As Izocam, while we are renewing our employer brand name in the light of modern human resources policies, we strengthen our human resources substructure some more each and every day.

The basis of our Human Resources Strategy is Behavioural and Working Principles.

OUR BEHAVIOURAL AND WORKING PRINCIPLES

Respect for Law, Respect for Environment, Occupational Health and Security, Respect for Rights of Employees, Professional Liability, Respect for People, Trueness, Honesty, Unity

We can handle Main Factors of our Human Resources Structure under four main headings, in the light of these principles.

MAIN FACTORS OF HUMAN RESOURCES

Diversity – Differences and variety strengthens us and for that reason we are against all kinds of discriminations.

Talent – Each employee is a talent and we give opportunity to them within the course of their working experience in order to discover these talents.

Commitment – We work with the motivation to create employees remaining loyal to his/her work and company.

Mobility – We enrich experiences of our employees by offering them a wide range of career opportunities.

We support those four factors of the human resource strategy with Izocam Attitudes and Competences and we make an assessment of our employees' improvements and changes within this perspective.

IZOCAM ATTITUDES

"Being Close to the Customer", "Entrepreneurship", "Agility", "Creating An Open and Inclusive Culture".

IZOCAM EVENTS

Customer Focus, Listening and Effective Communication, Initiative and Taking Risk, Focusing on Taking Results, Innovation and Change Management, Vision and Strategy, Networking, Team Leadership and Human Development, Agility, Team Work, Sensitiveness to Diversity and Being Open-Minded

Our greatest goal is the progression of Izocam by renewing itself continuously and developing new world's methods and systems in the improving and changing world, as a powerful and reliable employer brand name.



YEAR 2018 HUMAN RESOURCES ACTIVITIES

- Creating Modern Human Resources Policy and Strategy
- Effective Feedback and Performance Development Culture
- Leadership Development
- Recruitment and Talent Management
- Orientation, Training and Development Management
- Organizational Change
- Open Communication and In House Cooperation Forming Projects
- Programmes for the Protection of Occupational and Private Life Balance
- Young Talents Projects
- Industrial Activities

Our company was awarded with one of the most important international certifications of the world, TOP EMPLOYER, in 2018.

Number of employees as of December 2018;

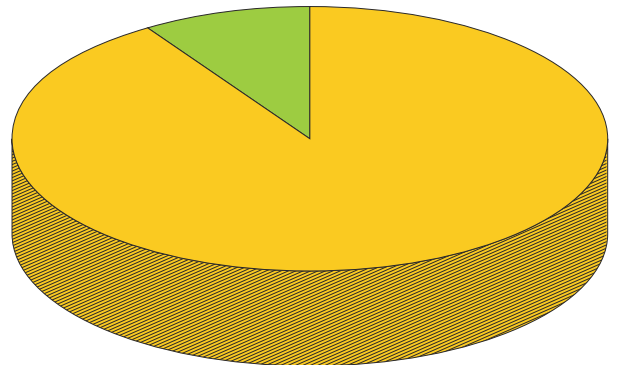
We have 250 employees which are composed of totally 211 professional specialists, 6 Strategic Leaders, 19 Department Leaders, 17 Team Leaders, 14 Process Leaders, being in the first place and, in addition, employees working for the other supportive activities.

Age average of our employees is 33 and Employee Seniority Average is 10 Years.

It has a distribution of 9% Woman, 91% Man according to the gender. Ratio of woman managers in the management family was increased from 5% to 15%, by giving priority to the woman managers, in 2018.

According to the Employee's Engagement and Satisfaction Survey made by a professional investigation company to the employees, our white-collar satisfaction ratio has increased by 10 points compared to the previous year.

Gender Distribution



Men
91%

Women
9%

Quality Management Systems

Proven quality management systems in world standards...



As Izocam, we manufactured in accordance with the national and international product standards. Offers to increase quality and research improving activities are encouraged. Targets and results are continuously reviewed in our quality system in a continuous improvement-oriented way. All legal necessities and conditions are followed in quality issues for which we are responsible.

Trainings, which are needed for the establishment of quality consciousness in all levels and its execution, are provided for our employees. General Management and all of our facilities are subject to the audit of Bureau Veritas every year. It was switched to version 2015 by going under standard revision. As a result of the audit made in our company in accordance with the renewed version, its conformity with the standards of ISO 9001 Quality Management Systems was approved.

Our Company also has ISO 14001:2015 Environment System Certificate, OHSAS 18001:2007 Occupational Health and Security Certificate, ISO 50001 Energy Management Systems Certificate and ISO 27001 Information Security System Certificate.

Board of Directors and Committees

BOARD OF DIRECTORS



Samir Mamdouh Kasem

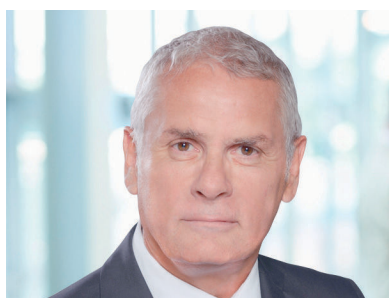
Board Chairman

The First Year in The Board of Directors: 2010

Committees Charged In: -

The First Year in The Committee: -

Duties Outside the Partnership: Alghanim Industries, President



Francois - Xavier Moser

Board Vice chairman

The First Year in The Board of Directors: 2016

Committees Charged In: -

The First Year in The Committee: -

Duties Outside the Partnership: Saint Gobain Group, Delegation President



Robert Etman

Board Member

The First Year in The Board of Directors: 2013

Committees Charged In: Corporate governance Committee Member and Early Risk Assessment Committee Member

The First Year in The Committee: 2013

Duties Outside the Partnership: Alghanim Industries, CFO



Hady Nassif

Board Member

The First Year in The Board of Directors: 2016

Committees Charged In: Corporate governance Committee Member and Early Risk Assessment Committee Member

The First Year in The Committee: 2016

Duties Outside the Partnership: Alghanim Industries, CFO



Arif Nuri Bulut

Board Member

The First Year in The Board of Directors: 2002

Committees Charged In: -

The First Year in The Committee: -

Duties Outside the Partnership: Tat Konserve San. A.S., Saint Gobain Inovatif. Malz. Ve Asindirici San Tic. A.S. and Atlas Zimpara San Tic A.S. Board Member.



Fatma Fusun Akkal Bozok
Board Member

The First Year in The Board of Directors: 2018

Committees Charged In: Audit Committee Chairman and Early Risk Assessment Committee Chairman

The First Year in The Committee: 2018

Duties Outside the Partnership: Yapi Kredi Bank Board Member, Board Member responsible for Internal Systems, Audit Committee and Credit Committee member. Koc Financial Services and Yapi Kredi B Type Investment Partnership Board Member.



Makbule Bilge Bahar
Board Member

The First Year in The Board of Directors: 2018

Committees Charged In: Audit Committee Member and Corporate governance Committee Chairman

The First Year in The Committee: 2018

Duties Outside the Partnership: Founding Partner of Caria Financial Consultancy Company



Levent Gokce
Board Member

The First Year in The Board of Directors: 2017

Committees Charged In: -

The First Year in The Committee: -

Duties Outside the Partnership: -



Ahmad Hammoud
Board Member

The First Year in The Board of Directors: 2017

Committees Charged In: -

The First Year in The Committee: -

Duties Outside the Partnership: Alghanim Industries, Engineering & Insulation Vice President

Board of Directors and Committees

Information Related to the Members of Board of Directors and Committees

Detailed information related to the members of Board of Directors is found in Article 5 of Corporate governance Compliance Report. Board of Directors is composed of at least 5 members who will be elected by the General Assembly in accordance with the provisions of Turkish Trade Law, Capital Markets Law and other relevant legislation.

Board of Directors is formed and operates in accordance with the following principles:

1) Number of Board Members is determined by the General Assembly provided that it would not be less than 5 members in each and every case and in a way to enable board members to work efficiently and constructively, to make decisions rapidly and rationally and to organize the establishment and operations of committees effectively.

2) Number and qualifications of independent board members who will participate in the Board of Directors are determined in accordance with the regulations of Capital Markets Board related to the corporate governance. Majority of Board Members is composed of people who did not have any administrative role in the company other than the board member role and who are not involved in daily and ordinary operations of the company.

3) Functions, operating principles, structure and meeting methods of Board of Directors and principles of committees established within the scope of Board of Directors are carried out in accordance with the regulations of Capital Markets Board related to the corporate governance. Board of Directors manages the company and represents the company before third parties and courts. Board of Directors has the absolute discretion for all kinds of connections and transactions related to the scope of the company in the ownership and administration of all movable and immovable properties of the company, except the regulations found in Article 408 of Turkish Trade Act and 1st paragraph of Article 23 of Capital Markets Law.

Taking decisions, according to the needs, in all matters which are not dependent on the decisions of the General Assembly, determining the authorities of General Manager, Deputy General Managers and managers and settling legislations/directives for the management of the company, approving budget and strategic plans are the roles of Board of Directors. Board of Directors hold the duties and exercise the authorities which are assigned or will be assigned to herself with the current laws and with the decisions of the Articles of Association herein and General Assembly.

4) Roles and authorities of the General Manager are determined by the Board of Directors. Board Chairman and General Manager could not be the same person.

Meeting agenda is determined by the Board Chairman. When required, the agenda could be determined by the decision of the Board of Directors. Notes of the meetings are brought into a written form at the end of each meeting and signed by all members. Each and every member has one (1) voting right at meetings. Voting right is used personally. Votes are used in the Board of Directors as "accepted" or "rejected". In case of presence of any member who is against the decisions taken during the meeting, this will be noted down in the meeting notes.

Before each Board of Directors Meeting, Chairman submits the documents and information related to the agenda to the attention of the board members in order for all of them to have information at the same degree.

Determination of duty term of Board Members and Independent Board Members is made in compliance with Turkish Trade Act, Capital Markets Law and regulations of Capital Markets Assembly related to the corporate governance and other provisions of the legislation. In 2017, Board Members express, according to the authority provided to them by the General Assembly within the context of articles 395 and 396 of Turkish Trade Act, that they do not hold the duties, within the scope of the company, personally or in the name of third parties.

Duties held by the Board Members in the name of our company, information related to their background and Independency Statements of Independent Board Members are found in Compliance Report of Corporate governance Principles.

Information Related to the Committees Established by Board of Directors and Participation in the Committee Meetings

Board Members elected for the General Assembly Meeting dating 21 March 2018 has met on 22 March 2018 and has made a share of tasks. Independent Board Members Mrs. F. Fusun Akkal Bozok and Mrs. Makbule Bilge Bahar (Chariman) are assigned as Audit Committee members; Independent Board Member Mrs. Makbule Bilge Bahar (Chariman) and Members who are not Independent, Mr. Robert Theodoor Gijsbert Etman, Hady Nassif and Investment Relations Unit Manager Mr. Doruk Ozcan who continues to his duty as Deputy General Manager responsible for Financial and Administrative Affairs and who holds the Capital Market Operations Advanced Level License and Corporate governance Grading License are assigned as members of Corporate governance Committee; Mrs. F. Fusun Akkal Bozok (Chairman), Hady Nassif and Robert Theodoor Gijsbert Etman are finally assigned as members for the Early Risk Assessment Committee.

- By taking the present structure of the Board of Directors into consideration; duties of Nomination Committee and Compensation Committee are decided to be executed by Corporate governance Committee. Working principles of Committees are published on internet pages.
- Committee responsible for the Audit has submitted financial reports and other assessments within the scope of working principles by arranging meetings eight times per a year. Corporate governance Committee has met twice a year and submitted their notes to the Board of Directors. Early Risk Assessment Committee has met six times and submitted the company's assessment reports to the Board of Directors.
- Assessments of the Board of Directors related to the effectiveness of the systems for internal control and risk management are as follows.

Financial Rights of Board Members and Top Managers

Information related to Board Members who held duties in 2018 and "Salaries Policy for Board Members and Top Managers" of our Company including all kinds of rights, benefits and earnings provided to company's Board Members and top managers and criteria for the determination of the aforesaid and pricing principles, has been updated and approved in our Ordinary General Assembly dating 23.05.2015 and then taken into practice.

As decided in the Ordinary General Assembly of the year 2018; no payment is made to Board Members who are not Independent, 8.500 TRL is paid to each and every member of Independent Board.

Benefits of top managers related to the periods ending by 31 December 2017 and 31 December 2018 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Short term benefits		
(Salaries, premiums, housing company cars, social security, health insurance, vacation pay etc.)	5.766.841	3.745.374
Long term benefits		
(termination indemnity provisions, long term part of vacation pay liability, long term premium plans etc.)	1.003.090	480.875
	6.769.931	4.226.249

Board of Directors observed that the systems related to the internal control and risk management are working effectively. Board of Directors has come together for 3 times within the course of the year and all of the said assembly members were ready in the meetings.

Top Management

IZOCAM MANAGEMENT



Mustafa Rustu Uz
Sales Director

He has been working for Izocam since the year 1996 in different sales regions, at administrative levels.

Nabi Akpınarolu
Supply Chain Director

He started to work for Izocam in 1990 and held various administrative levels.

Doruk Özcan
Financial Affairs Director

He has been working for Izocam since the year 2017, at various administrative levels.

Levent Gökçe
Company's General Director

He has started to work for Izocam in 2017, and he was assigned as General Director on 01.04.2017.

Gözdehan Caycı
Human Resources Director

She has been working for Izocam since the year 2002 for various business areas and at various administrative levels.

Jean Philippe Destang
Investments and Production Director

He has been involved in the top management of Izocam since the year 2018. He worked at similar administrative levels, in the international insulation sector with respect to the production and investments.

Kemal Gani Bayraktar
Marketing Director

He has been working for Izocam since the year 1995 at various administrative levels.

DIRECTORS, MANAGERS AND SUPERVISORS WHO ARE STILL IN LINE OF THEIR DUTY

Name-Surname	Title
Levent Gokce	General Director
Doruk Ozcan	Financial Affairs Director
Nabi Akpinaroglu	Supply Chain Director
Gozdehan Cayci	Human Resources Director
Kemal Gani Bayraktar	Marketing Director
Mustafa Rustu Uz	Sales Director
Jean Philippe Destang	Investments and Production Director
Oner Torun	Accounting Manager
Dilek Pehlevan	Finance Manager
Cenk Akarcay	Information Systems Manager
Umut Ayhan	Department of Audit and Management Systems
Esref Bingol	Department of Industrial Development and Maintenance
Mustafa Selcuk	Purchasing and Supply Manager
Halil Sitki Ergun	Investments Manager
Osman Hakan Uslu	R&D and Quality Assurance Manager
Neslihan Erguven	EHS Manager
Tahsin Karasu	Exports Manager
Gamze Goksu	1st Region Sales Manager
Bulent Yildiz	2nd Region Sales Manager
Serhat Serkan	3rd Region Sales Manager
Suphan Ipek	4th Region Sales Manager
Ilkay Murat Erkekel	5th Region Sales Manager
Onur Goren	Tekiz Sales Manager
Feza Mahmut Hokkaci	Sales and Customer Support Manager
Muge Yildirim Kose	Accounting Relations Manager
Suleyman Celik	Budget and Reporting Manager
Oben Pamuk	Customer Accounts Manager
Timucin Erdogan	Software Manager
Zahide Turkan Subasi	Product Manager
Sezen Burcu Ertek	Corporate Communication Manager

Top Management

Emre Gizlier	Exports Manager
Cenk Guven	Sales Manager
Nil Sozer	Sales Manager
Kuttusi Kisial	Sales Manager
Mustafa Bicakcioglu	Sales Manager
Serkan Pehlevan	Sales Manager
Nejdet Kocak	Business Development Manager
Mehmet Dincer	Production Planning and Supply Manager
Serkan Altunsoy	Delivery and Warehouses Manager
Ali Dokuzoglu	Delivery and Warehouses Manager
Talat Kircak	R&D and Quality Development Manager
Suheyra Nilgun Basarir	Recruitment and Talent Manager

Dilovasi Stone Wool Production Facility

Omer Mehmet Arun	Facility Manager
Caner Cakir	Production Manager
Gokhan Serin	Quality Assurance Manager
Huseyin Koyak	Maintenance and Auxiliary Operations Manager
Hakan Imren	Staff and Administrative Affairs Supervisor (Gebkim and Dilovasi)

Dilovasi, Gebkim Izopor, Foamboard and Tekiz Panel Production Facilities

Ozgur Oktem	Tekiz Production Supervisor
Sinan Kose	Maintenance and Auxiliary Operations Supervisor

Tarsus Glass Wool and Extruded Polystyrene Production Facilities

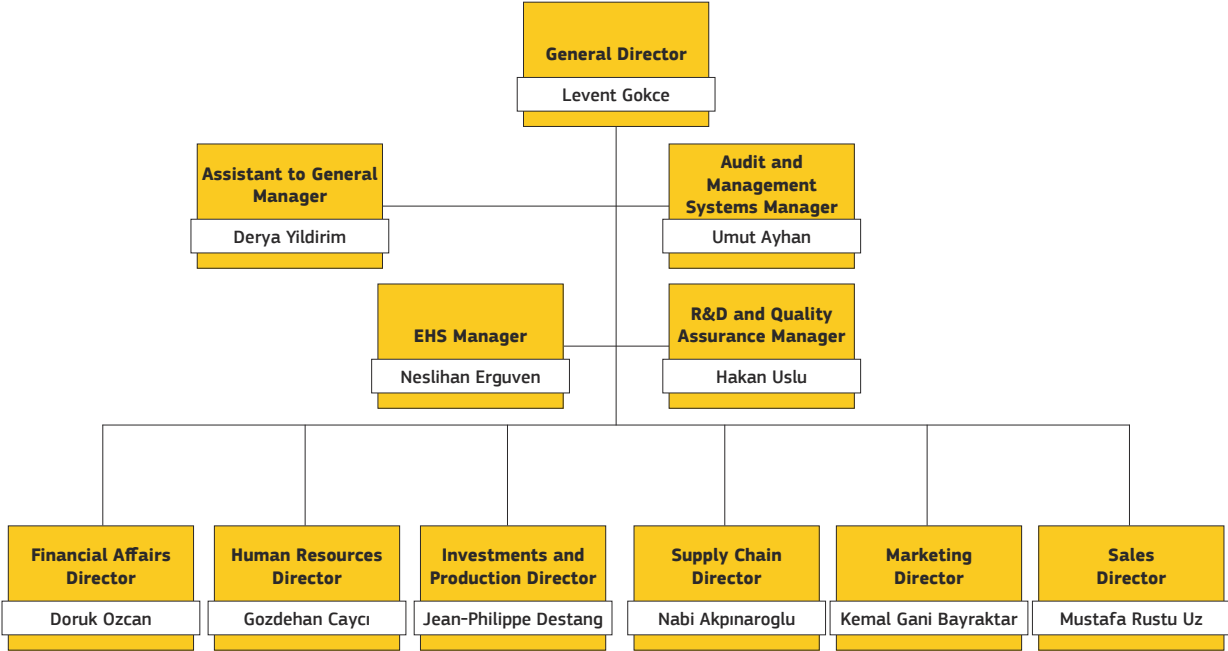
Olca Yultay	Facility Manager
Timur Aras	Staff and Administrative Affairs Supervisor
Yusuf Oguz Olcaytu	Maintenance and Auxiliary Operations Supervisor
Mehmet Akarca	Production Supervisor

Eskisehir Rubber and Polyethylene Production Facility

Sait Tasci	Production Supervisor
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Our company makes necessary studies and arrangements needed for the employees and parties acting on behalf of the company to abide by the ethical rules in their activities and in order for these rules to be enforced.

Organizational Structure



Statement of Compliance with Corporate governance Principles and Compliance Report

SECTION I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In the operating period ending on 31.12.2018, our Company continues to administer equality, transparency, accountability, responsibility and consistency criteria by keeping a close watch on the compliance with corporate governance principles within the context of Corporate governance Notice II-17.1 of Capital Markets Board published in Official Gazette 28871, dating 03.01.2014. Our company, who is included in the list “BIST 3rd Group Companies” according to the explanation of the Capital Markets Board in the Bulletin 2015/1, dating 13.01.2015; was decided to be in compliance with the Notice to a large extent, as a result of 399 criteria review defined in the methodology prepared by Kobirate International Credit Grading and Corporate governance Services Incorporated Company which is a corporate governance compliance grading company.

Corporate governance Grading Note which was 8,76 as of 30.12.2014 was increased to 9,16 as of 29.12.2015, and then to 9.28 as of 23.12.2016 and then to 9.31 as of 08.12.2017 as a result of the continuous improvement activities held by our Company in this area.

As our Company has been removed from Corporate governance Principles Compliance Grading since the year 2018, it did not take place in BIST Corporate governance Index in the current year.

Izocam has no conflict of interest with the institutions serving the company for topics like investment consultancy and grading. People behave within the frame of the criteria determined with internal regulations and ethical principles and take care in order for these kinds of conflicts not to happen.

Generally, our Company is in full compliance with the obligatory principles within the context of the Notice and also with most of the principles which are not obligatory, and continues to work for the improvement of corporate governance practices. There is no conflict resulted from provisions which are other than the already implemented principles and the following which have not been implemented yet.

There are currently two woman members in the Board of Directors of our Company. Compliance with the Woman Board Member article was fulfilled which was suggested in the principles by being amended in Article 14.1 of Articles of Association, in the Extraordinary General Assembly Meeting made on 16 June 2015. According to this amended article; “Increasing the number of woman members, among the people who would be presented in the General Assembly as candidates for the Board of Directors, with adequate level of information and experience, in accordance with Corporate governance Principles is important.” Besides, in addition to this regulation, policies needed to determine woman member target ratio which should not be less than 25% and target time are at the development phase.

In accordance with article 4.6.5 of Corporate governance Principles, salaries paid to Board Members and managers with administrative responsibilities, and all other benefits are explained to the public through the agency of the annual Operating Report.

In the long term, our willing and decisive attitudes related to finding solutions for the areas, for which compliance and improvement are needed, will be continued by internalizing corporate governance principles and considering the relevant changes in the legislation and developments, as it was the same for the year 2018.

Statement of Compliance with Corporate Governance Principles and Compliance Report

SECTION II – SHAREHOLDERS

2.1. Investor Relations Section

Shareholders establish the written and verbal communication with Borsa İstanbul, SPK (Capital Markets Board), MKK (Central Registry Agency) and our investors.

In the period of January-December 2018, totally 18 information requests made by shareholders through telephone were replied by our unit.

Requests made by the investor relations department within the period of January-December 2018 are mentioned as follows;

- Information related to financial data of the company for the past and the year 2018
- General profitability status of the Company and its profit expectations for next periods
- Present investments of the company and its investment decisions for the future
- General information related to the fluctuations in the prices of company shares
- Information related to whether there will be any increase at no cost
- Information related to the partnership structure of the Company
- Information related to whether there is any decision of the Company to be removed from the stock market.
- 2017 Yılı Faaliyetlerine ilişkin 53. Olağan Genel Kurul Toplantısı 21 Mart 2018 tarihinde gerçekleşmiştir. Genel kurul toplantısının yürürlükteki mevzuata, ana sözleşmeye ve diğer şirket içi düzenlemelere uygun olarak yapılması sağlanmıştır.
- 53rd General Assembly Meeting related to the Operations of the year 2017 was made on 21 March 2018. General Assembly meeting was made in accordance with the prevailing legislation, articles of association and other internal regulations.
- A document is prepared in the General Assembly from which shareholders can benefit.
- Voting results are noted and shareholders are then asked to send the relevant results to the requesting parties.
- All kinds of provisions related to the public disclosure were studied and followed, in accordance with the legislation.
- Utmost care is taken to be in compliance with SPK (Capital Markets Boards) legislation, Articles of Association and other internal regulations, in order to meet the requests of our shareholders for the use of their right and measures are taken to enable the use of those rights. There isn't any written/verbal complaint made to our company and there isn't any administrative/legal proceedings made against our company, within January-December 2018 period.
- Obligations coming from Capital Markets Legislation, including all kinds of provisions related to the corporate governance and public disclosure, have been followed and fulfilled.
- Within the context of the information policy; relations with the shareholders are continued regularly and regular and reliable information access was maintained related to the company. Shareholders are informed rapidly by fast and complete update of the company's web site, operating report, profit announcements etc.
- Necessary Special Circumstances Disclosure has been announced via Public Disclosure Platform by considering Capital Markets Law and notices and totally 13 Special Circumstances Disclosure were made within the course of 2018 January-December.
- Changes made in the legislation related to Capital Markets Law are followed and submitted to the related departments of the company.
- Information requests of undergraduate, post graduate students making investigations related to our company and the industry and faculty members of universities have been met.

There is Investor Relations unit within the scope of our company. This unit is executed by the department established within the scope of Deputy General Management Responsible for Financial and Administrative Affairs of our Company.

Contact Information Related to Investor Relations:

Doruk Ozcan	ozcan@izocam.com.tr	
Dilek Pehlevan	pehlevand@izocam.com.tr	Tel: 0216 440 40 50 Fax: 0216 440 40 75
Oner Torun	torun@izocam.com.tr	

Investor Relations Department Supervisor Doruk Ozcan holds Capital Markets Activities Advanced Level License and Corporate governance Grading Specialty License. Investor Relations Department employee Dilek Pehlevan and Accounting Manager reporting to Deputy General Management Responsible For Financial and Administrative Affairs hold Corporate Grading Specialty License.

2.2 Use of Information Right for Shareholders

Partnership organs and Investor Relations Department take an effective role to enable the use of shareholding rights, information and examination rights being in the first place, in Izocam Ticaret ve Sanayi A.S.

In order to enlarge the information rights of shareholders all kinds of up-to-date information and explanations are submitted to the use of investors on the corporate web site of Company (www.izocam.com.tr).

There is no regulation in the Articles of Association of the Company, related to the assignment of a private auditor, in spite of that, Company management avoids to take any action making the execution of a private audit difficult. On the other hand, according to Articles 438-439 of Turkish Trade Act, each and every shareholder can ask from the general assembly to clarify some points with a special audit, even that was not included in the agenda of the meeting, incase of any need to use their shareholding rights and unless information and examination right has been used before. There has been no such request of shareholders until today. Besides, company operations are audited periodically by an Independent Auditor elected in the General Assembly.

Company operations have been audited periodically within the course of the year by the Independent External Auditor (KPMG Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.S.) assigned by the General Assembly and necessary explanations related to these points are made on the web site of the company.

2.3. General Assembly Meetings

Company's General Assembly met ordinarily on 21 March 2018 within the course of the year 2018 and meeting and decision quorum were made during the session. All right and benefit holders and media (media organs) were invited to our General Assembly meeting.

Decisions taken in the Ordinary General Assembly Meeting, where operations of the year 2017 were discussed, were registered officially by Trade Registry Office of Istanbul on 28.06.2018 and was announced in the print 9614 of Turkish Trade Registry Gazette dating 05.07.2018 (on pages 566-568).

Invitations to the meetings of General Assembly were made by the Board of Directors, in accordance with Turkish Trade Act, Capital Markets Law and company's Articles of Association. Necessary calls and explanations are made through PDP (Public Disclosure Platform) as soon as the board decision was made for the General Assembly and calls and announcements of the general assembly and participations and voting have started to be made through the agency of Electronic General Assembly System (EGAS) found in the structure of Central Registry Agency since the year 2013. The meeting announcement is published in Turkish Trade Official Gazette, PDP, EGAS and on the company web site, in accordance with Capital Markets Notice. In these announcements, address, where independently audited financial tables of the relevant period are open for review, is mentioned.

Statement of Compliance with Corporate governance Principles and Compliance Report

Besides, documents open for the review of shareholders and "total number of shares and voting rights reflecting the partnership structure as of the date the explanation would be made, information related to changes in management and operations which would affect partnership operations held in the previous reporting periods or planned for the upcoming reporting periods to a large extent and reasons of the said changes; if there is any discharge, change or election of board members in the meeting agenda; the reason of the said discharges and changes; background information, duties held by them within the course of ten years and their reason to leave those roles related to the parties whose board member candidatures were notified to the partnership; qualification and materiality level of the relation in between the partnership and the relevant parties of the partnership, whether they have any qualification of independency and information related to the similar points which could affect the partnership operations in case those parties are assigned as board members; requests of shareholders of the partnership sent to the Investor Relations Department in a written form, related to adding subjects to the agenda; unaccepted proposals and reasons for their rejection in case board of directors did not accept the agenda proposals of partners; together with the relevant main board decision in case of any amendment of Articles of Association in the agenda of the meeting and old and new versions of the amendments made in the Articles of Association" in addition to the notifications and explanations to be made according to the relevant legislation, are announced to the investors in a remarkable way, at least three weeks before the General Assembly on the web site with the address, www.izocam.com.tr, and PDP together with the meeting announcement of General Assembly within the frame of Article 437 of Turkish Trade Act.

Every shareholder, holding the floor in General Assembly, can tell his/her opinion related to the operations of the company and ask question to the company's management and necessary answers and explanations are given to them during the session.

Three Board members, Financial Affairs Director responsible for the preparation of financial tables, Accounting Manager and Finance Manager participated in General Assembly meetings and auditors were ready at those meetings.

Meeting minutes of General Assembly are found on our web site. Besides, those minutes are open for the review of our shareholders at the head office of our company and in case of any request, a copy is given to our shareholders.

For the selection of the place of General Assembly meetings, attention should be paid for organizing the meeting at a place which can be reached by the shareholders easily and with a minimum cost.

Profit Distribution Policy, Policy of Repurchase of Company's Own Shares and Donation and Aid Policy are submitted to the approval and information of shareholders.

The company has informed the shareholders related to the donations and aids in the general assembly meetings by putting a relevant agenda item.

Participants are informed on the fact that the Shareholders with managing dominance, Board Members, Top Managers and their spouses and second degree blood and marriage relatives did not take any action which could result in the conflict of interest with the Company and Subsidiary Companies.

2.4 Voting Rights and Rarity Rights

Each and every share representing the company's capital gives one voting right. There isn't any privilege granted for any share related to the voting right, in the Articles of Association. There is no procedure, making the use of shareholders' voting rights difficult, in both articles of association and internal regulations, and in practice and this attitude is especially avoided. Our partners are legal entities which are our participation and companies found in the participation mutually.

There isn't any member in the management of our company representing the minority shareholders.

2.5 Profit Sharing Right

The Company submits the profit sharing policy to the information of shareholders as a separate agenda item in the Ordinary General Assembly and makes the announcement of the same to the stakeholders in the operating report and on the web site.

Profit Sharing Policy of our Company approved in the Ordinary General Assembly Meeting dating 21 March 2018 is as follows.

Profit Sharing Policy

Our Company pays dividend to the partners which would not be less than the payable profit calculated in accordance with CMB (Capital Markets Board) notices by taking long term strategies, investment and finance plans and profitability position into consideration. The payable dividend can be completely in cash or free of charge (by being offset from resources of the company) and also, that can partially in cash and partially free of charge. Actions are taken in accordance with the relevant legislation, notices and regulations of CPM for other payment methods.

The payment time of the profit shares to shareholders is decided by the General Assembly upon the offer of Board of Directors.

Profit sharing is made in accordance with TTA (Turkish Trade Act) and CPM and within the course of legal time. The Company submits the profit sharing policy to the information of shareholders with a separate agenda item and also makes the announcement of the same to the stakeholders in the operating report and on the web site. Board of Directors submits why the profit would not be shared and where the unshared profit would be used, in case the payment could not be made, to the information of shareholders in the General Assembly.

In accordance with the Articles of Association; there is no privilege related to the participation in the profit of the Company. Dividend is paid equally to all shares present as of the date of sharing without considering the issue date and the acquisition date of them.

The Company can pay advance dividend to the partners within the frame of the regulation in Capital Markets Law.

Article 30 "Profit Sharing Article" of Company's Articles of Association prepared by considering Capital Markets Law, Turkish Trade Act, tax laws and relevant legislation provisions is determined as follows:

Pure (net) profit remaining after deducting general expenses of the company and the amounts which should be paid and reserved by the company, such as various depreciation, and taxes which should be paid by the legal entity of the company from the income calculated at the end of the reporting period and which is seen on the annual balance sheet is shared in the following way after deducting the previous years' losses, if there is any:

Primary Legal Reserves

a) 5% (five percent) of the annual profit is kept as a general legal reserve until it reaches 20% (twenty percent) of Paid Capital.

First Dividend

b) From the remaining amount, first dividend is reserved in the ratio and amount determined by Capital Markets Board.

Second Dividend

c) General Assembly has the authority to pay the amount, remaining after deducting the amounts mentioned in paragraphs "a" and "b" from the pure profit, partially or completely as the second dividend share or to keep that as an extraordinary reserve.

Secondary Legal Reserves

d) 10% (ten percent) of the amount found after deducting 5% of the paid capital from the part which was decided to be paid to the shareholders and other parties participated in the profit is kept as secondary legal reserves in accordance with Turkish Trade Act. In case the profit shares and extraordinary reserves are paid as stock certificate by means of capital increase, secondary legal reserves are not kept.

Statement of Compliance with Corporate governance Principles and Compliance Report

e) If legal reserves are not kept in accordance with the law and if the first dividend determined for the shareholders in the articles of association is not paid in cash and/or in the form of stock certificate; other kind of reserving, transfer of profit to the upcoming year, and for the payment of dividends, share of profits with the privileged shareholders, participation, founder and promissory dividend certificate holders, board members and officers, employees and workers, foundations established for various kinds of purposes and these kinds of parties and/or institutions could not be decided.

Date and method of share of profits including the first dividend are decided by the General Assembly with the proposal of Board of Directors by considering Capital Markets Board Notices.

2.6 Transfer of Shares

There is neither implementations making the easy transfer of shares of shareholders difficult nor provisions limiting the transfer of shares.

SECTION III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Web Site and The Content

Our company has published its financial tables submitted to CMB and explanations made through PDP both in Turkish and English on the official web site, www.izocam.com.tr, for the purpose of maintaining the investor relations more effectively and rapidly and keeping a continuous communication with the shareholders.

Following provisions mentioned in corporate governance principles are found on the web site of the company, both in Turkish and English.

"Information Society Services, Trade Registry information, partnership and management structure of the Company, number and dates of Turkish Trade Registry Gazette where the amendments are published together with the Articles of Association, Special Circumstances Disclosure, Financial Reports, Operating Reports and other public disclosure certificates, General Assembly Meeting calls, agenda, proxy voting form, explanations related to the agenda, list of attendants, meeting minutes, Corporate governance implementations and compliance report, Corporate governance Grading Reports, periodical financial table and independent audit reports, information policy, profit shares policy, ethical rules, policy related to the repurchase of own shares of the company by herself, donation and aid policy, salary and indemnity policy, corporate social responsibility policy, human resources policy, top managers salaries policy, frequently asked question section, information related to the members of Audit Committee, Corporate governance Committee, Early Risk Assessment Committee and working principles of these Committees, information related to Board members and company's top management, organizational structure".

Information to be disclosed to the public has been submitted for the use of public on "Public Disclosure Platform" (www.kap.gov.tr) and the web site of our Company (www.izocam.com.tr) in a way to help parties and institutions, benefiting from these disclosures, to make decisions and on time, accurately, completely, understandably and accessibly with low costs.

General Director and Financial Affairs Directorate are responsible for informing the public, in our Company. Announcements and information have been notified to the public in accordance with the methods foreseen with the legislation in a necessary frequency, and in a way enabling to reach the possible maximum number of shareholders, through all kinds of communication instruments including electronic communication and by considering the minimum time limits mentioned in Turkish Trade Act, Capital Markets Law and other relevant legislations.

Our company has published its financial tables submitted to CMB and explanations made through PDP both in Turkish and English on the official web site, www.izocam.com.tr, for the purpose of maintaining the investor relations more effectively and rapidly and keeping a continuous communication with the shareholders.

3.2 Operating Report

Board of Directors has prepared the operating report with the details which will enable the public to reach complete and accurate information related to the operations of the company. Operating report is prepared in accordance with the corporate governance principles.

SECTION IV – STAKEHOLDERS

4.1. Informing Stakeholders:

Incase the stakeholders are not protected for their transactions and operations, with the relevant legislation and mutual contracts, interests of the stakeholders are protected within the frame of rules of good faith and to the extent of company's potentials.

Customers who are stakeholders of Izocam, shareholders, employees, suppliers, government and social environment are informed on the matters related to their areas. Informing process is executed by means of publishing special circumstance disclosures made on PDP, meeting minutes of General Assembly, reports of independent auditors and financial tables, presentations made to individual and corporate investors and reports prepared by third parties related to the Company on printed and visual media channels and our web site.

All financial reports and information of the company open to the public are shared with the public by Izocam Investor Relations Unit accurately, completely, fairly, eligibly and understandably.

The Company has disclosed its indemnity policy for the employees on its web site: www.izocam.com.tr. Stakeholders related to the Company are invited to the meeting for the matters related to them or they are informed by the use of telecommunication instruments.

4.2 Participation of Stakeholders in Management

Customer satisfaction is our primary and indispensable goal in the marketing and sales of products and services. Customer satisfaction is reported and followed regularly and policies are changed incase of any need.

Shareholders: Participation of shareholders in the management and protection of their rights are maintained within the frame of the relevant laws and legislations.

Employees: In addition to the employees being included in decision making mechanisms within the frame of their authorizations and responsibilities, there are platforms where they can submit their requests, suggestions and opinions in an intranet environment. Opinions of our employees participating in the direction of Suggestions and Reward System are handled with authorized units and those are awarded.

Vendors and Customers: The Company has totally 136 vendors, 120 of which are located in Turkey and 16 of which are located in foreign countries. Vendor satisfaction surveys are made by an independent company regularly and survey results are explained to the managers with informational meetings. Vendor and customer feedbacks received by means of these surveys are reviewed by the authorized departments and necessary actions are taken.

Therewith, vendors are informed on the Company strategy and plans with the organizations made within the course of the year. Having meetings with the stakeholders which have an active role in the formation of policies and decisions of the Company and assessment of the result and accordingly taking the relevant actions, in parallel with more effective, efficient and qualified service understanding is a part of the accession period. Our partners other than controlling shareholders, which were involved in the management directly, participate in management with the occasion of General Assemblies.

Statement of Compliance with Corporate Governance Principles and Compliance Report

The Company has switched to DBS enabling a different and new collateralization for the collection of its receivables, as of 17 March 2010. Through the agency of this transaction, negotiable banks determine credit limits for the vendors of the Company, on behalf of the Company and collection is made firstly by the Bank and collected amounts are reserved in its blocked account for one day before being transferred to the Company's account. All vendors of the domestic market use the collection system through DBS, as of 31.12.2018. Besides, our vendors are able to make transaction through virtual pos since the year 2014.

Orders are received and followed over the internet with "Izocam24 Portal" connection prepared specially for the vendors. Some customers in addition to 120 domestic market vendors use "Izocam24 Portal" for their transactions related to the orders.

Process Tracking Unit established by being based on the Marketing Department makes analyses regarding the requirements of the company and gives instructions needed for the design of the necessary processes and takes actions in order to create the substructure needed for the reorganization of the areas which should be improved.

4.3 Human Resources Policy

Human Resources Policy of our company is determined as follows in accordance with the Board Decision 744 dating 17 February 2015.

Making plans and taking actions related to the planning, selecting, recruitment, service unit assignments, development, determination and fulfilment of training needs of human resources which will enable practice of studies in an effective and efficient way in our company, determining competences, performance management, career planning in accordance with the scientific methods are the goals of our Human Resources Policy.

Statement of Compliance with Corporate governance Principles and Compliance Report

Within the context of this policy, criteria related to the personnel recruitment and promotion mechanism are determined in a written form and, as Human Resources, our goals are as follows;

- True person for the true business
- Equal payment for the equal business
- Competence dependent on success
- Equal opportunities for all employees

That's to say, our goal is improving the competencies of our human forces continuously and protecting our permanent superiority in the environment of global competition by staying loyal to the aforementioned principles. Execution of human resources systems determined for that purpose is determined with procedures and those are announced to all employees.

Role descriptions and distributions of the company's employees and performance and rewarding criteria are announced to the employees. Efficiency is taken into consideration while determining the salaries and other benefits of employees. There is no language, religion, gender, racial etc. discrimination during the recruitment and in between the employees. All rights of the employees are handled fairly.

Informational meetings are made for the employees, related to the topics such as financial position of the company, salaries, career, training, health and views are exchanged. For the purpose of having the employees participate in the management, using their opinions, informing them and strengthening healthy communication, below mentioned type of methods are used;

- Assessment meeting for the suggestion system,
- Open door meetings,
- Announcements and circulars,
- Communication boards,
- Intranet

Training policies are created for the purpose of increasing information, skills and good manners of employees. Training schedules are determined and executed annually.

With reference to the value assigned to our employees which is one of the most important principles adopted by our company, we encourage implementation of planned and systematic projects within the context of TS 18001 Occupational Health and Safety by providing integrity in between legal regulations and business processes.

The Company created indemnity policies for the employees and these policies are disclosed to the public over the official web site of the company.

Training and Development of Employees

Our company has planned so many training activity for the personal and professional development of our employees within the course of the year 2018. One of our most important goals is to develop skills of our employees. Training hours per an employee was determined as 38 hours in 2018.

Internal Communication and Social Activities

Various kinds of communication activities are organized for the purpose of maintaining effective flow of information in between the employees and the company.

- Modern Human Resources Policies and Strategies
- Effective Feedback and Performance Development Culture
- Leadership Development
- Recruitment and Talent Management
- Orientation, Training and Development Management
- Organizational Change
- Open Communication and Internal Cooperation Projects
- Plans for the Protection of Working and Private Life
- Young Talent Projects
- Industrial Activities

Following benefits and activities were held in order to strengthen the motivation and engagement of the employees in 2018:

- Individual Retirement
- Private Health Insurance
- Personal Development Trainings
- Theatre, Cinema, Exhibition and Travelling activities
- Employees Night Celebrations
- Circumcision Ceremony for the Children of Employees
- Festival and new year celebrations
- Birthday celebrations

Statement of Compliance with Corporate Governance Principles and Compliance Report

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

4.4.1 Izocam Student Competition

Izocam has been organizing "University Students Insulation Competition" every year since the year 1999 for the purpose of developing insulation consciousness in between the university students, working together with different disciplines and developing talent. Izocam has brought an international dimension to the competition by being involved in the International Student Competition organized by Isover since the year 2009. The students having the first three degrees, among students sending their application for the competition by preparing their projects within the frame of the theme determined every year, represent our country by competing with students coming from other countries in the foreign country determined for that year. By means of this competition, they find chance to meet with students and instructors in other countries and see architectural structure, geography and historical artefacts of the country the competition takes place in.

Name of the investment competition has been changed as "Izocam Student Competition" at the end of the year 2015. All processes of the competition, which has been submitted to the participation of undergraduate and post graduate students whose education is continued in the university, are handled over www.izocamogrenciyarismasi.com.

350 applications were made for the 18th organization of Izocam Student Competition in 2018. 17 teams have delivered their projects. In the first step of the competition organized with the theme of the year 2018, with the "From Idea to Project" format and composed of two stages; students have developed a sustainable and acclimatized architectural designing idea under title "Dubai Cultural Village" by taking regional conditions into account. Projects were reviewed by the jury and 6 projects went to the international final with the announcement made on 10 March 2018.

Students going to the finals among the participating teams, presented their projects lively to the jury in the open jury meeting made at Hyatt Centric Hotel Levent on 19 April 2018. The first three ranked projects at the end of the jury assessment have won the right to represent our country in the international finals organized in Dubai. Besides, first project ranked at the end of the competition won 8 thousand, second won 6 thousand and third won 4 thousand TRL.

4.4.2. Izocam Support for Izoder's 25th Year Social Responsibility Projects

As Izocam, within the context of 25th year studies of Izoder, we are a member of, we have covered 1 year educational expenses of one of our children with Turkish Education Foundation (TEF) scholarship on July of the year 2018.

On 11 November 2018, Izocam employees were involved in 40th Vodafone Marathon made in Istanbul for the purpose of collecting donations for needy girls studying with TEF scholarship. Our 7 employees who ran by taking part in Izoder Corporate Running Team and families of our employees transferred all of the donations they had collected directly to the accounts of TEF.

4.5. Social Responsibility Policy

4.5.1. The Campaign of The Most Social Izocam People on Instagram

A social media campaign was made, specific to the Vendors Meeting, with the slogan: We are looking for The Most Social Izocam Employee, using instagram <https://www.instagram.com/izocamofficial> actively in between 8-9 February 2018, loving to take photos and believing in themselves for using hashtags! and #kalkisicin haziriz hashtag. Intended population of the campaign is Izocam Vendors.

Competition was announced over the accounts: <https://www.facebook.com/izocam>, <https://www.instagram.com/izocamofficial> and 3800 people have been reached.

4.5.2 Welcome the Spring with Izocam Campaign

Welcome the Spring with Izocam Campaign whose announcements were made over accounts, <https://www.facebook.com/izocam>, <https://www.instagram.com/izocamofficial>, has started on 7 March 2018 and competition announcement post was sent to 1.565 people. Within the context of the campaign whose intended population is the end users, the competitors are asked to send the shot representing the spring for them.

250.000 people were reached during the competition for which winners were announced on 22 March.

4.5.3. “Ozi Celebrates 23rd April National Sovereignty and Children’s Day” Facebook Campaign

“Environmentally Friendly Ozi” kit was given as gift to 1st, 50th, 100th, 150th, 200th, 250th, 300th, 350th, 400th, 450th, 500th, 550th, 600th, 650th, 700th, 750th, 800th, 850th, 950th, 1000th lucky people among followers who has sent a like to the video of “Environmentally Friendly Ozi” loaded on the web site <https://www.facebook.com/izocam> in between 3-23 April 2018 and then shared the same with #izocam and #23april hashtags and tagged 2 friends under the said video.

Intended population of the campaign, where 7.000 people were reached, including the announcement of winners within the course of the campaign was primary school children and their families.

4.5.4. “My Father Is a Master at This Job” Campaign

Within the context of the campaign made in between 5 May-11 June over the web site <https://www.facebook.com/izocam>; followers were asked to explain skills and master aspects of their fathers with any of their photos with their father. Logitech loudspeakers with Izocam logo were given as gift to 5th, 100th, 500th, 1000th and 1500th person among the followers, who sent posts with #ustadostu, #izocam and #babalargunu hashtags.

Intended population of the campaign was all fathers and their children within the context of masters of the construction industry, their families and end users and campaign has reached people more than 11.800.

4.6. Ethical Rules

Our Company makes studies and arrangements necessary for the observance of ethical rules and practice of those rules by its employees and by the people taking action on behalf of the company, in their activities. In this respect, ethical rules, which are accepted within the light of the legislation and regulations, are adopted. Besides, within the context of Corporate governance Principles, “Izocam Working and Behavioural Principles creating Ethical Values” was brought into a written form as of 14 February 2012 and these were published on the web site of the Company and made open to the public. Employees were trained within the direction of our principles by the top managers and training were also provided over internet with the “e-learning” method and those trainings were recorded. Within this context, an Ethical Commission was established for the practice and protection of these values within the scope of the company.

The Company adopts the rules related to the environment, consumer and public health. It takes all precautions for providing customer satisfaction in the marketing and sales of goods and services, customer requests are met as soon as possible. Our products have ISO 9001-2008 quality certificate and these quality standards are preserved carefully. The Company arranges surveys measuring vendor satisfaction within the said context.

Confidentiality of the information within the context of trade secrets related to the customers and vendors is handled with care.

Statement of Compliance with Corporate Governance Principles and Compliance Report

SECTION V – BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

Board of Directors of our Company is structured in accordance with Article 11 of our Articles of Association. General Manager Levent Gokce holds the position of executive member in the Board of Directors. Board of Directors of our Company is composed of 9 board members, two of which are independent. Following the meeting of General Assembly where Board members are selected, Board Chairman and the Deputy were determined in order to make decisions related to the assignment of duties and then members of Audit Committee, Corporate governance Committee and Early Risk Assessment Committee were assigned. In case of any vacancy in Board memberships within the course of the year, provisions of article 363 of Turkish Trade Act will be carried out.

Samir Mamdouh Kasem

Samir Kasem took education from Ivey School of Business, University of Western Ontario and completed his MBA degree in Canada and holds the electrical engineering diploma of Kettering University Michigan, USA, Department of GMI Engineering and Management Institute and additionally, he is a graduate of Harvard Business School AMP.

Samir Kasem is still the Chairman of Alghanim Industries (Kuveyt) Sanayi ve Ticaret Grubu Başkanlığı and has been participating in Board of Directors of Izocam Tic. Ve San. A.Ş. since the year 2010. Samir Kasem had held various kinds of roles in General Motors of Canada before he started to work for Alghanim Industries. He has taken management roles in his Alghanim Career of 10 years, in various kinds of departments such as automotive, engineering, retail trade.

Samir Kasem who has not taken any part in the execution is the Board Member of Izocam Holding A.Ş. which is a partnership of Saint-Gobain / Alghanim and he is not an independent member and he is still our Board's Chairman.

François – Xavier Moser

François – Xavier Moser who is a French citizen is graduated from Ponts et Chaussées.

François – Xavier Moser, who has been Delegation Chairman including Saint-Gobain Poland, Romaine, Bulgaria and Turkey since the year 2012, worked as General Manager in various companies of the group related to the flat glass production and development through his career of Saint-Gobain which was started in 2000. Moser worked as General Manager at BMRA which is a participation of Saint-Gobain, in between the years 1996-2000.

François – Xavier Moser, who did not hold any executive role, is not an Independent Member. He continues to his duty as Board Member since 22 March 2016.

Robert Etman

Robert Etman is graduated from Holland Delft Technical University – Department of Physics and Computer Science. He holds the certificate of UK Chartered Institute of Management Accountants – Public Accountant certificate.

As Kuwait CFO of Alghanim Industries having various industrial investments in the Middle East, India and Southeast Asia; he is responsible for the operations of Internal Control, Treasury, Financial Planning and Analysis, Corporate governance, Capital Planning, Company's Merger and Acquisition and Investor Relations and he participate in the Board of Directors of Izocam Tic ve San A.Ş. Before being involved in Alghanim, he held various management roles in Unilever PLC for more than 20 years. Robert Etman has a wide experience in respect of financial controlling and management, acquisition and merger transactions, business models based on tax and business systems development, strategy development and treasury. He speaks English and Dutch

Robert Etman, who did not hold any executive role, continues to his duty as Board Member of Izocam A.Ş. which is a Saint-Gobain / Alghanim partnership and he is not an Independent Member. He continues to his duty in our company as Board Member since 25 November 2013.

Hady Nasif

Hady Nasif who is a graduate of Beirut American University also holds MBA degree from the same university. Besides, he was involved in management plans of Fontainebleau INSEAD Business School.

After starting to his career in the steel industry, he joined Sodamco Group in 1998. Before holding the role of Responsible General Manager in Lebanon in 2000, he had established operations in Dubai/The United Arab Emirates. He has been Top Manager and partner of the Group in 2005 and enabled the fast growth of Sodamco industrial soil mixtures and cement company in 8 different countries of the Middle East. Following the acquisition of Sodamco Group by Saint-Gobain Weber in 2012, he was assigned as Saint-Gobain Constructional Materials President Responsible for the Middle East, in 2014.

Nassif who was assigned as Saint-Gobain Middle East Delegation President as of 1 January 2016, is the Board Member of our company.

Arif Nuri Bulut

He was born in Ankara in 1953. He completed his middle and high school education at Saint Joseph French Male High School. He was graduated from Istanbul Technical University as a Senior Mechanical Engineer in 1979. He completed his MBA degree in Koc University in between the years 1994-1995.

During his post graduate study in between the years 1978-1979, he has worked as Project Engineer at Tokar A.S. He has started to work as Chief of Production in Gebze Facilities of Izocam Ticaret ve Sanayi A.S. in 1981. He held the role of Production Manager in between the years 1984-1986, Projects Manager of the head office in between the years 1986-1994, Engineering Manager in between the years 1994-1996. He held the role of Technical General Manager in between the years 1996-2002. And now he has been the Board Member and company's General Manager since the year 2002.

He is married and has a child and he speaks French and English.

A. Nuri Bulut, who holds an executive role according to the CMB Corporate governance Principles, is not an Independent Member. In addition to the roles he has held within the course of the last 10 years, he is still Independent Board Member of Tat Konserve A.S.

F. Fusun Akkal Bozok

She has completed her academic education by holding the license of Istanbul University Faculty of Business Administration, master's degree of Bogazici University Faculty of Administrative Sciences and phd degree from Istanbul University Faculty of Business Administration.

She has started to working life within the scope of Arthur Andersen auditing company in 1980. She joined Koc Group in 1983 and held the role of Audit Specialist and Assistant Coordinator in Department of Audit and Finance Group.

She has continued her role as Audit and Finance Group Coordination, for which she was assigned in 1992, for 11 years. Mrs. Akkal who has worked as Finance Group Director in between the years 2003-2006, continues her duty as Board Member of Yapi Kredi Bank since September of the year 2015. Mrs. Akkal who has still been Board Member of the Bank Responsible for Internal Systems, Member of Audit Committee and Credit Committee, is also the Board Member of Koc Financial Services and Yapi Kredi B Type Investment Partnership. On the other side, she teaches Audit and International Accounting courses at Sabanci University and she is a member of TKYD, TIDE, T. Accounting Specialist Association and Bogazici Alumni Association.

F. Fusun Akkal Bozok who is not present in the execution, is an independent member according to CMB Corporate governance Principles.

Statement of Compliance with Corporate Governance Principles and Compliance Report

Makbule Bilge Bahar

She has been the founding partner of Caria Financial Consultancy since the year 2013. She supplies special capital funds for the entrepreneurs and strategic and financial consultancy for portfolio companies and family businesses and she makes investments in these kinds of companies. She has worked in New York, London and Istanbul offices of Morgan Stanley for more than 15 years before the establishment of Caria and held the duty as the head of Morgan Stanley Turkish Investment Banking. Within the course of this period, she supplied consultancy for company mergers and acquisitions, partnerships, public listings and capital market transactions in various industries and geographies, and besides she has worked for the investments on behalf of various special capital funds of the Bank.

After Robert College, she continued her education at Smith College by studying economics and mathematics, and then she gained MBA degree from Harvard Business School. She is a member of TIBA (Turkish Industrials' and Businessmen's Association), i-lab consultant of Harvard University, active supporter of Kuzezydoga Association operating in environmental and natural issues and member of Arya Women's Platform.

Makbule Bilge Bahar, who is not holding any executive role, is an independent member according to CMB Corporate governance Principles.

Levent Gokce

Levent Gokce who was born in Soke-Aydin in 1967 has completed International Business Administration program in Business Administration Faculty of Istanbul University after being graduated from Middle East Technical University Mechanical Engineering. He was General Director of Saint-Gobain Weber Yapi Kimyasallari San ve Tic A.S. in between the years 2005-2017. He has been continuing his duty as General Director of Izocam Ticaret ve Sanayi A.S. since 1 April 2017. He is married and has two children, he speaks English.

Ahmad Hammoud

Ahmad Hammoud, being graduated from Electrical Engineering of Beirut American University has started to work for Alghanim Industries Engineering Group since the year 2000. He continues his duty as Engineering Chief, Alghanim Industries – Project Engineering Group General Manager and Alghanim Industries – Engineering & Insulation Vice chairman since the year 2010. He is Board Member of Izocam since November of the year 2017.

Independency Statements of Candidates for Independent Board Membership;

Mr. F Fusun Akkal Bozok and Mrs. Makbule Bilge Bahar have signed the following statement and submitted the same to our company:

I hereby declare that;

I am a candidate for holding the role of “independent member” in the Board of Directors of Izocam Ticaret ve San A.S. (Company), within the context of the criteria determined by Corporate governance Principles announced by the legislation, Articles of Association and Capital Markets Board and within this context that;

- a. There has been no employment relationship to hold important duties and responsibilities within the course of the last five years and at managerial levels, in between the company, partnerships where the company has management control or effect to an important extent, partners holding the management control of the company and having effect on the company to an important extent, legal entities for which these partners have management control; and myself, my spouse and blood and marriage relatives of second degree; that I did not hold more than 5% of their capital or voting rights or privileged shares together or solely or that I did not establish any important commercial relation,

- b. I did not work as a partner (5% and above) and in a managerial position to have important roles and responsibilities in companies from which the company takes important level of services and goods or to which it sells the same within the frame of contracts made, in periods of service and product purchase or sales, within the course of last five years, audit (including tax audit, legal audit, internal audit), grading and consultancy of the company being in the first place and that I did not work as Board Member,
- c. As can be understood from my attached resume, that I already have professional education, information and experience to execute all of the duties I am responsible for, properly, as a result of being an independent board member,
- d. I do not work in state institutions and organizations full time as of my current position,
- e. I am assumed as resident in Turkey as per the Income Tax Law.
- f. I can make positive contributions in the company's operations, I would protect my objectivity for the conflict of interests in between the company and shareholders, I have powerful ethical standards, professional reputation and experience to decide freely by considering the rights of the stakeholders,
- g. I spend time to the extent that I can follow the activities of the Company and take necessary actions related to the task I had taken completely,
- h. I did not take place as a member of the Board for more than six years within the course of last ten years,
- i. I have not taken place as independent board member in more than three companies where the company or the partners having the management control of the company hold the management control of the company and in total more than five companies being traded at the exchange,
- j. I have not been registered and announced in the name of the legal entity of Izocam Ticaret ve Sanayi Anonim Sirketi.

Approval of the General Assembly is taken, within the context of articles 395 and 396 of TTA, in respect of Board Chairman and members performing the actions of the company personally or in the name of others and being the a partner of companies taking these kinds of action.

5.2. Operating Principles of the Board of Directors

Authorities and responsibilities of the Board of Directors are specified in the Articles of Association of the company explicitly. Authorities are mentioned in the circular signatory in details and all kinds of decision are valid with at least two authorized signature.

Board Chairman and General Manager is not the same person.

Agenda of Board meetings is determined with the notification of matters, which are ordered by the Articles of Association of the company explicitly to be bound by the Board Decision, to the top managers and Board members of the company. Besides, meeting agenda can also be determined with any of the Board members notifying the matter of making decision specifically for an issue to the Top Management of the Company.

Issues requested to be discussed in Board of Directors are collected in Financial Affairs Directorate department and meeting agenda is created by consolidating these data.

Financial Affairs Director is assigned for the determination of Board meeting agendas of Izocam Ticaret ve Sanayi A.S., preparation of the decisions made by Board of Directors as per Article 390/4 of TTA, information of Board members and establishment of communication.

Board of Directors makes decisions with the majority of the members being ready at the meetings by coming together at the time needed for the operations; provisions of TTA Article 390/4 are kept reserved. Validity of the Board decisions is dependent on whether those are written and signed.

Different opinions and reasons of negative votes, explained in Board meetings, are noted down in decision minutes. However, no explanation has been to the public in recent times as there has been no opposition or different opinion.

Faults of Board Members during the time of their duties and the losses they will cause in the company are insured with a sum exceeding 25% of the company's capital.

Board of Directors has met for three times within the course of the year and all members were ready during the said meetings.

Statement of Compliance with Corporate governance Principles and Compliance Report

5.3. Number, Structure and Independency of Committees Being Established within the Context of the Board of Directors

There are Corporate governance Committee, Early Risk Assessment Committee and Committee Responsible for Audit, within the frame of Corporate governance Principles of Capital Markets Board and Working Principles of Company's Board of Directors and within the context of current Board of Directors. Independent board members are heading the said committees and all members of the Committee Responsible for Audit are composed of Independent members as per the legal regulations. Chairman and members of Committees are mentioned as follows.

CORPORATE GOVERNANCE COMMITTEE

Chairman	Member
Makbule Bilge Bahar	Hady Nassif
	Robert Etman
	Doruk Ozcan

EARLY RISK ASSESSMENT COMMITTEE

Chairman	Member
Fatma Fusun Akkal Bozok	Hady Nassif
	Robert Etman

COMMITTEE RESPONSIBLE FOR AUDIT

Chairman	Member
Fatma Fusun Akkal Bozok	Makbule Bilge Bahar

Board Members selected in General Assembly dating 21 March 2018, came together on 22 March 2018 and shared the tasks. There has been no change in the selected Board of Directors and Committee memberships within the course of the year.

By taking the current structure of the Board of Directors into consideration; actions of Nomination Committee and Salaries Committee are decided to be executed by Corporate governance Committee.

There are 2 woman members in the Board of Directors and this constitutes 22% of total Board members.

Committee responsible for Audit has met for 6 times within the course of the year and submitted its other assessments within the context of financial reports and working principles to the Board of Directors after every meeting. Corporate governance Committee has met for 2 times within the course of the year and submitted its proposals and minutes to the Board of Directors after every meeting. Early Risk Assessment Committee has met for 6 times and submitted the company assessment report to the Board of Directors after every meeting.

5.4 Risk Management and Internal Control Mechanism

Board of Directors established Early Risk Assessment Committee for the purpose of protecting the effectiveness of its internal control systems in a way to include operational activities and information systems in order to minimize the effects of the risks which would affect the stakeholders.

Effectiveness of internal control systems is tested with internal audits. Internal Audit Department reports directly to the General Manager and is in a direct contact with Audit Committee and Early Risk Assessment Committee. Besides, Early Risk Assessment Working Group was established within the context of the company and regular meeting are made in order to review current and probable risks and plans are made to take necessary actions. Notes of the meetings are shared with Early Risk Assessment Committee members and besides, meeting minutes are prepared and recorded.

Board Committees has continued to work in accordance with the legislation within the course of the year 2018. Early Risk Assessment Committee has met for 6 times in and made assessment of potential risks of the Company and submitted the reports to the Board of Directors. Improvement activities for the detected potential risks are followed with a close relation with the top management. Company's Audit Committee has met for 6 times in. In those meetings, financial results were reviewed and assessments were made both with tax and independent audit companies, and also internal control system of the Company was continuously examined with sharing the results of internal audit.

Committees prepared separate minutes for each and every meeting and recorded the meeting notes with the signatures of the members and submitted those to the opinion of the Board of Directors.

5.5 Strategic Goals of the Company

Board of Directors of the Company determined the strategies of the company by making long and short term plans. In these said plans, operating market are reviewed, needed investments and requirements are determined and resources needed to be assigned for the execution of those are planned and decisions are manufactured.

Long term plans of the company are made within the course of the first six months period of each and every year in a way to include three years periods and also the previous three years trends.

Short term plans are made within (budget) and followed monthly and revised for four times within the course of the year. Budget goals of the company have an important role in the determination of the company's performance.

5.6. Financial Rights

Detailed information was given in the Ordinary General Assembly dating 21.03.2018 related to the "Policy related to the Salary Principles of Board Members and Top Managers" which was approved by General Assembly dating 23.05.2015.

Total payments made within the frame of Salary Policy for Board Members and Top Managers is reviewed by Corporate governance Committee and Board of Directors every year. Payments made to Board of Directors and Top Managers are explained to the public in footnotes of financial tables, in parallel with general practices. There isn't any transaction which would cause conflict of interest; such as money lent to our Board members or managers by the Company, any credit used, any security provided for the benefit of them.

Expenses made by the Board of Directors for their contributions made to the company (transportation, telephone, insurance, etc.) can be met by the company.

Salary Principles of Top Managers

Purpose and Scope

Salary principles cover the board members and top managers. The purpose is to enable planning, execution and management of salary related actions in accordance with the relevant legislations, scope and structure of company's operations, strategies, long term goals and risk management structures.

Statement of Compliance with Corporate governance Principles and Compliance Report

Principles and Practice Principles

- Salaries of Board Members are determined by the General Assembly as per the proposal of shareholders.
- Salaries of Top Managers are determined by the Board of Directors in accordance with this policy.
- Attention is paid to the fact that independent board members are at a level to protect their independencies. Besides profit shares, profit options or payment schedules dependent on the performance of the company could not be used.
- “Salary Principles of Board Members and Top Managers” are submitted to the information of the partners as separate item in general assembly meeting. Besides, it is found on the web site of the company. In case there is any change in this regulation, the same method is repeated.
- The Company could not lend money, provide credit, use a personal credit through the agency of a third party or it could not provide any security for the benefit of any board member or top manager.
- Salaries and all other benefits paid to Board members and top managers are explained to the public with the annual operating report.

Authorized Committee

Company's corporate governance committee creates a proposal related to salaries by considering the long term goals of the company, in accordance with the performance of top managers and submits that to the Board of Directors. While salaries of top managers are determined by Board of Directors, Salary Principles of Board Members is made an agenda item and decision is made in the General Assembly Meeting.

Execution of these actions by the corporate governance committee shall not remove the responsibility of the board of directors and auditor related to these actions.

- Equal salary for equal performance principle is adopted. Properties such as the importance, difficulty and responsibility, risk of the task are taken into consideration and a balance is redresses in between the salaries.
- Committee reviews all kind of documents related to the salaries while executing its task and responsibilities.
- Committee considers the legislation and current financial status, goals of the company and its income planned for the upcoming periods, for the decisions they will make.

Salaries

Fixed Salaries: Those are payments made in cash every month without depending upon performance. Fixed salary is determined by considering conditions and experience needed for each and every position within the context of duties and responsibilities.

Ücret artışları: Increase in salaries: General increase in salaries is made on January of every year, in the ratio determined by the Board of Directors by considering the company's performance and market conditions and once a year. With the decision of the Company management, salaries can be changed separately from the general annual increase of salaries for promotion/position changes and other reason.

Amounts determined and paid to the Top Managers and Board Members, in accordance with the aforementioned principles, within the course of the year are found in the operating report.

No money has been lent to any member or top manager of the company by the Company, no credit has been used in their name or in the name of third parties, no security has been provided for the benefit of them, besides, aforesaid persons did not have such kind of relations with the company in the previous years.

Corporate governance Committee



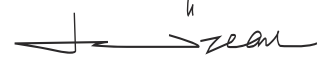
Makbule Bilge BAHAR
Corporate Governance
Committee Chairman



Hady Nassif
Corporate Governance
Committee Member



Robert Etman
Corporate Governance
Committee Member



Doruk Özcan
Corporate Governance
Committee Member

Information and Assessment Related to the Risk Management

Board of Directors has established Early Risk Assessment Committee among its own members, with the committee chairman being an independent member. Early Risk Assessment Committee organizes periodical meetings in order to minimize the effects of the risk which could affect the stakeholders and submits its opinions to the Board of Directors in a written form.

Besides, Early Risk Assessment Working Group, covering the operational processes, has been established for the purpose of determining treats which could be faced while trying to reach the company targets, measuring probable risks with the specified criteria and leading the managers for decision making; within the context of the company.

Audit and Control Department, reporting to the General Manager and submits frequent reports to the Committee responsible for Audit, makes analyses of the company processes and report the risky areas to the top management, thus continues to work for creating a more effective internal control environment. Besides, periodical audits are made Saint-Gobain and Alghanim partnership and Independent Audit Company and reports prepared as a result of those audits are submitted to the Audit Committee.

Auditor's Report Related to the Early Risk Assessment System and Committee

To the Board of Directors of Izocam Ticaret ve Sanayi Anonim Sirketi

Introduction

We have audited the early risk assessment system and committee established by Izocam Ticaret ve Sanayi Anonim Sirketi ("Company").

Responsibility of the Board of Directors

Board of Directors is responsible for establishing a committee, operating and developing the system for the purpose of early recognition of reasons endangering development and continuance of the company's existence, practicing necessary precautions and solutions needed for those and managing risks; in accordance with first paragraph of article 378 of Turkish Trade Act (TTA) 6102.

Responsibility of the Auditor

Our responsibility is to come to a conclusion related to the early risk assessment system and committee on the basis of our audit. The audit has been conducted in accordance with "Principles Related to the Auditor's Report for Early Risk Assessment System and Committee" published by TTA, Public Oversight, Accounting and Audit Standards Institution ("AASI") and ethical rules. Those Principles requires our assessment of whether the company has established early risk assessment system and committee or not, if established, whether the committee operates within the frame of Article 378 of TTA. Legitimacy of solutions proposed by the early risk assessment committee against the risks and practices of management against the risks are not included in the scope of our audit.

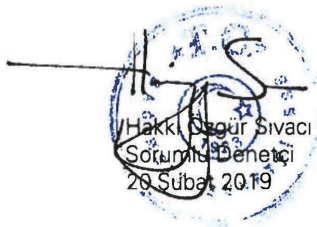
Information Related to the Early Risk Assessment System and Committee

Purposes of Early Risk Assessment and Management Committee ("Committee") are early assessment of risks which could endanger presence, development and continuance of the Company, taking precautions related to the detected risks and working for the management of risks within the light of risk projects made at the corporate level. The Committee has been authorized with two members and chairman, with the Board decision 705, dating 3 April 2013, by the Board of Directors. Committee has come together for 6 times within the course of the year 2018, on 22 March 2018, 27 June 2018, 8 October 2018, 17 October 2018, 28 November 2018 and 27 December 2018.

Conclusion

As a result of the audit we have conducted, Early Risk Assessment system and committee are decided to be sufficient within the frame of article 378 of TTA, with all of its important aspects, except the provision mentioned in the below paragraph.

KPMG Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik Anonim Sirketi
A member of KPMG International Cooperative



Important Events Occurred After the Closing of the Reporting period

After the closing of the reporting period, it has been agreed that collective labour agreement would be made with Kristal-Is Sendikasi (Kristal-Is Syndicate) until General Assembly Meeting where financial reports would be discussed.

Subsidiary Company Report of the year 2018

The conclusion section of our Subsidiary Company Report prepared within the context of Article 199 of Turkish Trade Act is as follows.

Our company was reviewed for all of the actions taken in the operating year 01.01.2018-31.12.2018, in accordance with the circumstances and conditions known by us with the instruction of the controlling company, for the legal actions taken for the benefit of the controlling company or a subsidiary company and for all precautions taken or prevented to be taken for the benefit of the controlling company or the subsidiary company in the operating year 2018. In respect of the operating year 2018, our Company did not have any loss and did not afford any advantage for any transaction made in accordance with the known circumstances and conditions and controlling shareholder's benefits or losses were not equalized.

For the operating year 2018, we hereby declare that Izocam Tic. Ve San. A.S. did not have any loss as a result of the actions taken, in accordance with article 199 of TTA 6102.



Samir Mamdouh Kasem
Board Chairman



François - Xavier Moser
Deputy Board Chairman

54th General Assembly Meeting

Date : 22 March 2019, Friday

Time : 10:00

Location : Renaissance Polat Istanbul Hotel
Sahil Yolu Cad. No:2 Yesilyurt

Agenda

1. Creation of opening and meeting chairmanship,
2. Reading, discussion and confirmation of the annual Operating Report prepared by Board of Directors
3. Reading report of Independent Audit Institution KPMG Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.S.,
4. Reading, discussion and confirmation of financial tables,
5. Release of Board members for the operations of Company for the year 2018,
6. Informing partners related to the Profit Sharing Policy of Company,
7. Discussion and acceptance, acceptance by amendment or rejection of the proposal of Board of Directors for the use of profits, determination of profit and earning share ratios and date of profit sharing,
8. Determination of number of Board members, informing shareholders related to the duties of Independent Board Members and other Board Members out of the company who were proposed by the Corporate governance Committee; and their reasons; selection and change of members and determination of their term of office,
9. Determination of Salaries of Board Members and their rights such as attendance fee, premiums and premium,
10. Approval of Independent Audit Institution selection made by Board of Directors,
11. Informing shareholders in respect of Salary Principles of Board Members and Top Managers,
12. Informing shareholders in respect of Donation and Aid Policies of the Company and submitting this policy to the approval of shareholders, informing shareholders related to the beneficiaries of donations and aids made to foundations and associations within the course of the year 2018 and determining an upper limit for the donations and aids which will be made in 2019,
13. Informing shareholders related to the guarantees, pledges, mortgages and securities provided by the Company and subsidiary companies for the benefit of 3rd parties in 2018, in accordance with the regulations of Capital Markets Board; and afforded advantages
14. Informing shareholders related to the Policy of the Company related to the Repurchase of its own Shares.
15. Giving permission to the Board Members in order for them to take actions related to the scope of the Company personally or in the name of others and to be partners of the companies holding these kinds of actions and to take other actions; in accordance with articles 395 and 396 of Turkish Trade Act
16. Informing General Assembly on whether the Shareholders with managing dominance, Board Members, managers with administrative responsibilities and their spouses and second degree blood and marriage relatives took any action which could result in the conflict of interest with the Company and Subsidiary Companies in 2018.
17. Submitting information related to the actions of the relevant parties in 2018
18. Authorizing council for signing meeting minutes,
19. Wishes.

General Assembly

Tangible Assets

We are submitting the values of tangible assets as of the end of the year with comparison to the values of the previous years as follows.

(Calculated in accordance with Capital Markets Board Notices)

COST (TRL)

	31.12.2018	31.12.2017
Territories and lands	5.991.310	5.991.310
Underground and over ground arrangements	6.145.673	5.601.344
Buildings	63.331.922	63.274.372
Machinery, facilities and devices	256.351.568	244.930.521
Vehicles	6.172.540	0.00
Inventories	10.608.688	9.599.853
Special costs	2.982.323	2.907.323
Investments	18.890.947	5.631.885
Total Costs	370.474.971	337.936.608

ACCUMULATED DEPRECIATION (TRL)

Underground and over ground arrangements	-3.745.118	-3.548.659
Buildings	-25.547.743	-24.032.780
Machinery, facilities and devices	-189.772.547	-178.549.998
Vehicles	-104.942	0.00
Inventories	-8.193.820	-7.483.252
Special costs	-915.137	-619.562
Total accumulated depreciation	-228.279.307	-214.234.251
Net Book Value	142.195.664	123.702.357

Profit Sharing Policy and Proposal of Profit Sharing Proposal

As can be seen from the financial tables and its footnotes we prepared in accordance with Notice Serial II.14.1 of Capital Market Board, dating 31.12.2018, we have a profit equalling "15.799.053,00 TRL" in our income statement and profit was made equalling 16.929.533,90 TRL according to the legal records.

We hereby present and propose to transfer the amount, remaining after deducting legal reserves from the profit of the year 2018, to extraordinary reserves as per Turkish Trade Act, Capital Markets Law and our Articles of Association.

Our company's registered capital ceiling is 60 million TRL, issued capital is 24.534.143,35 TRL. There has been no change in the issued capital of our company within the course of the period.

Our Company is present in Stock Market Istanbul (BIST) with the stock code IZOCM. The company has no participation (financial fixed asset) in its portfolio.

Trade with Relevant Parties

The subject of our trade with relevant parties is composed of the purchase of royalty service, purchase of spare parts and mutual product sales and the volume of this trade, the ratio of purchasing transactions to the cost of the sold products is 3% (three percent) and the ratio of sales transactions to our revenues is 0,8% (eight per thousand), as of 31 December 2018.

The details related to our transactions with parties for the period in between 31 December 2017 and 31 December 2018 is supplied in the following tables:

IMPORTANT PRODUCT AND SERVICE SALES MADE TO THE RELEVANT PARTIES

	2018	2017
Saint-Gobain Weber (*)	2.367.127	3.150.963
Saint-Gobain Construction Products Albania Shpk (*)	442.614	--
Saint-Gobain Isover SA (*)	416.920	--
Saint-Gobain Adfors CZ Glass Mat S.R.O. (*)	415.188	233.981
Kuwait Insulating Material Mfg. Co. (*)	321.945	31.070
Saint-Gobain Rigips (*)	221.645	403.180
Saint Gobain Seva (*)	92.041	--
Saint-Gobain Isover Iberica S.L. (*)	38.233	--
Saint Gobain İnovatif (*)	6.478	1.216
Saint-Gobain Ppc Italia S.P.A. (*)	--	13.672
Total	4.322.191	3.834.082

(*) companies within the control of the partnerships of the main partner

IMPORTANT PRODUCT AND SERVICE PURCHASES FROM THE RELEVANT PARTIES

	2018	2017
Saint Gobain Seva AG (*)	4.895.305	359.890
Saint Gobain Adfors CZ Glass Mat S.R.O. (*)	2.294.229	2.557.941
Saint Gobain Isover SA (*)	3.578.404	1.691.631
Grunzweig Hartman AG (*)	1.450.602	1.204.791
Saint-Gobain Rigips (*)	559.873	731.649
Saint Gobain Construction Products (*)	141.497	146.657
Saint-Gobain Weber (*)	121.180	189.536
Saint Gobain Recherche (*)	40.252	--
Saint Gobain Inovatif(*)	5.500	--
Saint Gobain Glass (Romania) (*)	--	18.613
Saint Gobain Inovatif (*)	--	1.297
Toplam	13.086.842	6.902.005

(*) companies within the control of the partnerships of the main partner


The Board of Directors has determined the principles of our trade with relevant parties as follows in order to be in compliance with 10th article of Corporate governance Notice of Capital Markets Board 11-17.1, dating 3 January 2014.

"Principles of our company for the trade with relevant parties which is frequent and sustainable;

- For the purchasing transactions, products and services to be purchased, having the properties we ask for, providing the expected quality and performance, deserving the qualifications asked in the selection made in between at least three suppliers from which offers had been taken at the same time, including price and payment conditions,
- For the sales transactions, when price, volume, payment conditions and sustainability of the business are considered, compliance with our minimum similar sales conditions or being more advantageous,

Board of Directors decided to continue trade relations with relevant parties provided that above mentioned principles would not be disregarded."

Board of Directors Annual Operating Report



Samir Mamdouh Kasem
Board Chairman



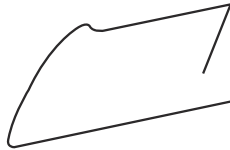
Francois - Xavier Moser
Deputy Board Chairman



Robert Etman
Board Member



Hady Nassif
Board Member



Arif Nuri Bulut
Board Member



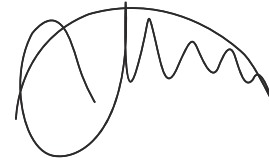
Fatma Fusun Akkal Bozok
Board Member



Makbul Bilge Bahar
Board Member



Ahmad Hammoud
Board Member



Levent Gokce
General Director

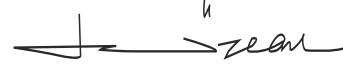
Responsibility Statement Related to Acceptance of Financial Tables

We hereby declare that, report including the Financial Status Table prepared in comparison with the previous year, as of 31.12.2017 by our Company and audited by KPMG Denetim ve Serbest Muhasebeci Mali Musavirlik A.S. and Income Statement dating 31.12.2018, Cash Flow Statement and Equity Changes Table and their explanations

- a. are examined by our side,
- b. within the frame of information we have in our duties and responsibilities area, that financial tables and operating report do not include any shortage which could result in the fact that the financial table and operating report includes any explanation contrary to the facts or that those are misleading as of the date the explanation is made,
- c. within the frame of information we have in our duties and responsibilities area, that financial tables prepared in accordance with the valid financial reporting standards reflects the truth honestly related to the assets, liabilities, financial status and profit and loss; also reflects the development and performance and financial status of the company and the risks it could face honestly together with all of the uncertainties, and that we are responsible for all of the explanations made.



Fatma Fusun Akkal Bozok
Audit Committee Chairman



Doruk Ozcan
Financial Affairs Director

Independent Audit Report Related to the Operating Report

To the Attention of Board of Members of Izocam Ticaret ve Sanayi Anonim Sirketi

Opinion

As we have audited full set financial tables of Izocam Ticaret ve Sanayi Anonim Sirketi ("Company") for the accounting period 1 January – 31 December 2018, we have also audited the annual operating report of the same reporting period.

According to our opinion, inspections made by the Board of Directors related to the status of the Company by using the financial information included in the annual operating report and information found in audited financial tables are compatible with all important aspects, with the full set financial tables and information we obtained during independent audit and those reflect the truth.

Basis of Opinion

The independent audit has been conducted in accordance with independent audit standards published by Capital Markets Board ("CMB"), Public Oversight, Independent Audit Standards ("IAS") which is a part of Turkish Audit Standards published by Accounting and Audit Standards Institution ("AASI"). Our responsibilities within the context of these standards are explained in details in Responsibilities Related to the Independent Audit of Independent Auditor for the Annual Operating Report section of our report. We hereby declare that we are independent from the Company in compliance with Ethical Rules published by AASI for Independent Auditors ("Ethical Rules") and ethical provisions of the relevant legislation related to the independent audit. Other responsibilities related to the ethics within the context of Ethical Rules and legislation is also met by us. We believe that independent audit proofs we obtained during the independent audit are sufficient and appropriate for the creation of our opinion.

Our Opinion Related to the Full Set Financial Tables

We have submitted our positive opinions in our auditor's report dating 20 February 2019, related to full set financial tables of the company for the accounting period 1 January – 31 December 2018.

Responsibility of the Board of Directors related to the Annual Operating Report

Company management is responsible for the following related to the annual operating report, in accordance with articles 514 and 516 of Turkish Trade Act 6102 ("TTA") and the provisions of "Notice of Principles Related to the Financial Reporting in Capital Markets" ("Notice") II-14.1 of Capital Markets Board.

- a. It prepares the annual operating report within the course of the first three months following the balance sheet date and submits that to the general assembly.
- b. It prepares the annual reporting report in a way to reflect the flow of Company's activities of that year with all aspects, and its financial status in a proper, complete, straightforward, truthful and honest way. In this report, financial status is reviewed according to the financial tables. Besides, the risks against the development of the Company and which should be faced by the company are shown explicitly in the report. Assessment of the board of directors for these issues is also found in the report.
- c. Operating report also includes the following:
 - Events occurred in the Company after the end of the operating year and which are important,
 - Research and development studies of the Company,
 - Financial benefits such as salary, premium, premiums paid to Board members and top managers; allowances, travel, accommodation and representation expenses, opportunities in kind and in cash, insurances and similar securities.

Board of Directors considers the secondary legislative regulations issued by Trade Ministry and relevant institutions, while preparing the operating report.

Independent Audit Report Related to the Operating Report

Responsibility of the Independent Auditor related to the Independent Audit of Annual Operating Report

Our purpose is to give opinion related to whether the inspections made by the Board of Directors related to the status of the Company by using the financial information included in the annual operating report and information found in audited financial tables are compatible with financial information included in the audited financial tables and the information we obtained during our independent audit and whether those reflect the truth; within the frame of TTA provisions and the Notice.

The independent audit has been conducted in accordance with independent audit standards published by Capital Markets Board ("CMB") and IAS. These standards requires that the independent audit is conducted by making plan for obtaining a reasonable guarantee related to whether the inspections made by the Board of Directors related to the status of the Company by using the financial information included in the annual operating report and information found in audited financial tables are compatible with financial information included in the audited financial tables and the information we obtained during our independent audit and whether those reflect the truth; together with the compliance with ethical provisions.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative



Independent Audit Report Related to Annual Financial Results

To the Attention of Board of Members of Izocam Ticaret ve Sanayi Anonim Sirketi

A) Independent Audit of Financial Tables

Opinion

We have audited full set financial tables of Izocam Ticaret ve Sanayi Anonim Sirketi ("Company") composed of financial table footnotes as of 31 December 2018 and profit or loss and other income statement, equity change and cash flow tables as of the reporting period ending on the same date, together with the summary of important accounting policies.

According to our opinion, attached financial reports reflect the truth related to the financial status of the company as of 31 December 2018 and its financial performance and cash flows as of the reporting period ending on the same date with all important aspects, according to the Turkish Financial Reporting Standards ("TFRS")

Basis of Opinion

The independent audit has been conducted in accordance with independent audit standards published by Capital Markets Board ("CMB"), Public Oversight, Independent Audit Standards ("IAS") which is a part of Turkish Audit Standards published by Accounting and Audit Standards Institution ("AASI"). Our responsibilities within the context of these standards are explained in details in Responsibilities Related to the Independent Audit of Independent Auditor for the Annual Operating Report section of our report. We hereby declare that we are independent from the Company in compliance with Ethical Rules published by AASI for Independent Auditors ("Ethical Rules") and ethical provisions of the relevant legislation related to the independent audit. Other responsibilities related to the ethics within the context of Ethical Rules and legislation is also met by us. We believe that independent audit proofs we obtained during the independent audit are sufficient and appropriate for the creation of our opinion.

Key Audit Issues

Key audit issues are the most important issues in the independent audit of financial tables for the current period, according to our professional judgment. Key audit issues are considered as a whole within the frame of independent audit of financial tables and for our opinion related to the financial tables and we will not give any other opinion for these issues.

Recognition of Revenues

Please check Footnote 2.4 (a), 2.5.1 and Footnote 20 for the accounting policies related to the recognition of revenues and details of used important accounting estimations and assumptions.

KEY AUDIT ISSUE

Income items from which the company gained revenue are composed of sales of insulation materials.

The Company takes the revenue to the financial tables as soon as it fulfils the performance obligation by transferring the products it manufactured to its customers or when it fulfils the same.

There is a risk to write the revenue to the following period as there are still some products whose invoices have not been issue but which has at the same time been delivered to the customer as per the nature and size of the company's operations. As transfer of revenue to the financial tables requires an important amount of management judgment, this issue has been determined as the key audit issue.

Yıllık Finansal Sonuçlara İlişkin Bağımsız Denetçi Raporu

KONUNUN DENETİMDE NASIL ELE ALINDIĞI

Bu alanda uyguladığımız denetim prosedürlerimiz aşağıdakileri içermektedir:

Hasılatın muhasebeleştirilmesine yönelik Şirket yönetiminin uyguladığı muhasebe politikalarının TFRS'ye uygunluğu değerlendirilmiştir.

Şirket'in müşterileri ile yapmış olduğu satış sözleşmeleri gözden geçirilip kontrol edilmiştir.

Şirket'in hasılat süreci anlaşılacak; Bilgi Sistemleri uzmanlarımızdan da yardım alınmak suretiyle, hasılat sürecindeki kontrollerin tasarım uygulama ve işleyişinin etkinliği test edilmiştir.

Hasılatla yönelik gerçekleştirdiğimiz maddi doğrulama testleri ile faturalanmış ürünlere ilişkin kontrolün müşteriye devir olup olmadığı değerlendirilmiştir.

Örnekleme seçimi ile belirlemiş olduğumuz müşteriler için doğrudan temin edilen dış teyitler ile ticari alacakların varlığı ve bakiyelerin doğruluğu test edilmiştir.

Raporlama döneminden sonra gerçekleşen iadelere ilişkin detay testler yapılarak, dönem içerisinde hasılatın uygun ve doğru bir şekilde finansal tablolara alınıp alınmadığı test edilmiştir.

Yönetimin ve Üst Yönetimden Sorumlu Olanların Finansal Tablolara İlişkin Sorumlulukları

Şirket yönetimi; finansal tabloların TFRS'lere uygun olarak hazırlanmasından, gerçeğe uygun bir biçimde sunumundan ve hata veya hile kaynaklı önemli yanlışlık içermeyecek şekilde hazırlanması için gerekli gördüğü iç kontrolden sorumludur.

Finansal tabloları hazırlarken yönetim; Şirket'in sürekliliğini devam ettirme kabiliyetinin değerlendirilmesinden, gerektiğinde süreklilikle ilgili hususları açıklamaktan ve Şirket'i tasfiye etme ya da ticari faaliyeti sona erdirmeye niyeti ya da mecburiyeti bulunmadığı sürece işletmenin sürekliliği esasını kullanmaktan sorumludur.

Üst yönetimden sorumlu olanlar, Şirket'in finansal raporlama sürecinin gözetiminden sorumludur.

Bağımsız Denetçinin Finansal Tabloların Bağımsız Denetimine İlişkin Sorumlulukları

Amacımız, bir bütün olarak finansal tabloların hata veya hile kaynaklı önemli bir yanlışlık içerip içermediğine ilişkin makul güvence elde etmek ve görüşümüzü içeren bir bağımsız denetçi raporu düzenlemektir. SPK tarafından yayımlanan bağımsız denetim standartlarına ve BDS'lere uygun olarak yürütülen bir bağımsız denetim sonucunda verilen makul güvence; yüksek bir güvence seviyesidir ancak, var olan önemli bir yanlışlığın her zaman tespit edileceğini garanti etmez. Yanlışlıklar hata veya hile kaynaklı olabilir. Yanlışlıkların, tek başına veya toplu olarak, finansal tablo kullanıcılarının bu tablolara istinaden alacakları ekonomik kararları etkilemesi makul ölçüde bekleniyorsa bu yanlışlıklar önemli olarak kabul edilir.

SPK tarafından yayımlanan bağımsız denetim standartlarına ve BDS'lere uygun olarak yürütülen bir bağımsız denetimin gereği olarak, bağımsız denetim boyunca mesleki muhakememizi kullanmakta ve mesleki şüpheciliğimizi sürdürmekteyiz. Tarafımızca ayrıca

- Finansal tablolardaki hata veya hile kaynaklı "önemli yanlışlık" riskleri belirlenmekte ve değerlendirilmekte; bu risklere karşılık veren denetim prosedürleri tasarlanmakta ve uygulanmakta ve görüşümüze dayanak teşkil edecek yeterli ve uygun denetim kanıtı elde edilmektedir. Hile; muvazaa, sahtekârlık, kasıtlı ihmal, gerçeğe aykırı beyan veya iç kontrol ihlali fiillerini içerebildiğinden, hile kaynaklı önemli bir yanlışlığı tespit edememe riski, hata kaynaklı önemli bir yanlışlığı tespit edememe riskinden yüksektir.
- Şirket'in iç kontrolünün etkinliğine ilişkin bir görüş bildirmek amacıyla değil ama duruma uygun denetim prosedürlerini tasarlamak amacıyla denetimle ilgili iç kontrol değerlendirilmektedir.

Yıllık Finansal Sonuçlara İlişkin Bağımsız Denetçi Raporu

- Yönetim tarafından kullanılan muhasebe politikalarının uygunluğu ve yapılan muhasebe tahminlerinin ve ilgili açıklamaların makul olup olmadığı değerlendirilmektedir.
- Elde edilen denetim kanıtlarına dayanarak Şirket'in sürekliliğini devam ettirme kabiliyetine ilişkin ciddi şüphe oluşturabilecek olay veya şartlarla ilgili önemli bir belirsizliğin mevcut olup olmadığı hakkında ve yönetimin işletmenin sürekliliği esasını kullanmasının uygunluğu hakkında sonuca varılmaktadır. Önemli bir belirsizliğin mevcut olduğu sonucuna varmamız halinde, raporumuzda, finansal tablolardaki ilgili açıklamalara dikkat çekmemiz ya da bu açıklamaların yetersiz olması durumunda olumlu görüş dışında bir görüş vermemiz gerekmektedir. Vardığımız sonuçlar, bağımsız denetçi raporu tarihine kadar elde edilen denetim kanıtlarına dayanmaktadır. Bununla birlikte, gelecekteki olay veya şartlar Şirket'in sürekliliğini sona erdirebilir.
- Finansal tabloların, açıklamalar dâhil olmak üzere, genel sunumu, yapısı ve içeriği ile bu tabloların temelini oluşturan işlem ve olayları gerçeğe uygun sunumu sağlayacak şekilde yansıtıp yansıtmadığı değerlendirilmektedir.

Diğer hususların yanı sıra, denetim sırasında tespit ettiğimiz önemli iç kontrol eksiklikleri dâhil olmak üzere, bağımsız denetimin planlanan kapsamı ve zamanlaması ile önemli denetim bulgularını üst yönetimden sorumlu olanlara bildirmektediriz.

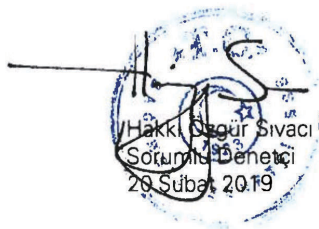
Bağımsızlığa ilişkin etik hükümlere uygunluk sağladığımızı üst yönetimden sorumlu olanlara bildirmiş bulunmaktayız. Ayrıca bağımsızlık üzerinde etkisi olduğu düşünülebilecek tüm ilişkiler ve diğer hususları ve -varsa- ilgili önlemleri üst yönetimden sorumlu olanlara iletmış bulunmaktayız.

Üst yönetimden sorumlu olanlara bildirilen konular arasından, cari döneme ait finansal tabloların bağımsız denetiminde en çok önem arz eden konuları yani kilit denetim konularını belirlemektediriz. Mevzuatın konunun kamuya açıklanmasına izin vermediği durumlarda veya konuyu kamuya açıklamanın doğuracağı olumsuz sonuçların, kamuya açıklamanın doğuracağı kamu yararını aşacağına makul şekilde beklendiği oldukça istisnai durumlarda, ilgili hususun bağımsız denetçi raporumuzda bildirilmemesine karar verebiliriz.

B) Mevzuattan Kaynaklanan Diğer Yükümlülükler

1. 6102 sayılı Türk Ticaret Kanunu'nun ("TTK") 398 inci maddesinin dördüncü fıkrası uyarınca düzenlenen Riskin Erken Saptanması Sistemi ve Komitesi Hakkında Denetçi Raporu 20 Şubat 2019 tarihinde Şirket'in Yönetim Kurulu'na sunulmuştur.
2. TTK'nın 402 nci maddesinin dördüncü fıkrası uyarınca Şirket'in 1 Ocak – 31 Aralık 2018 hesap döneminde defter tutma düzeninin ve finansal tablolarının TTK ile Şirket esas sözleşmesinin finansal raporlamaya ilişkin hükümlerine uygun olmadığına dair önemli bir hususa rastlanmamıştır.
3. TTK'nın 402 nci maddesinin dördüncü fıkrası uyarınca Yönetim Kurulu tarafımıza denetim kapsamında istenen açıklamaları yapmış ve talep edilen belgeleri vermiştir.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative


Hakkı Özgür Sivacı
Sorumlu Denetçi
20 Şubat 2019

Auditor's Report Related to the Early Risk Assessment System and Committee

To the Board of Directors of Izocam Ticaret ve Sanayi Anonim Sirketi

We have audited the early risk assessment system and committee established by Izocam Ticaret ve Sanayi Anonim Sirketi ("Company").

Responsibility of the Board of Directors

Board of Directors is responsible for establishing a committee, operating and developing the system for the purpose of early recognition of reasons endangering development and continuance of the company's existence, practicing necessary precautions and solutions needed for those and managing risks; in accordance with first paragraph of article 378 of Turkish Trade Act (TTA) 6102.

Responsibility of the Auditor

Our responsibility is to come to a conclusion related to the early risk assessment system and committee on the basis of our audit. The audit has been conducted in accordance with "Principles Related to the Auditor's Report for Early Risk Assessment System and Committee" published by TTA, Public Oversight, Accounting and Audit Standards Institution ("AASI") and ethical rules. Those Principles requires our assessment of whether the company has established early risk assessment system and committee or not, if established, whether the committee operates within the frame of Article 378 of TTA. Legitimacy of solutions proposed by the early risk assessment committee against the risks and practices of management against the risks are not included in the scope of our audit.

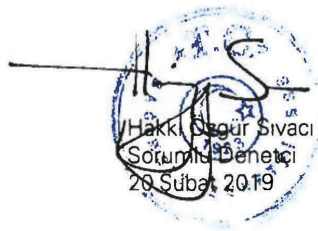
Information Related to the Early Risk Assessment System and Committee

Purposes of Early Risk Assessment and Management Committee ("Committee") are early assessment of risks which could endanger presence, development and continuance of the Company, taking precautions related to the detected risks and working for the management of risks within the light of risk projects made at the corporate level. The Committee has been authorized with two members and chairman, with the Board decision 705, dating 3 April 2013, by the Board of Directors. Committee has come together for 6 times within the course of the year 2018, on 22 March 2018, 27 June 2018, 8 October 2018, 17 October 2018, 28 November 2018 and 27 December 2018.

Conclusion

As a result of the audit we have conducted, Early Risk Assessment system and committee are decided to be sufficient within the frame of article 378 of TTA, with all of its important aspects, except the provision mentioned in the below paragraph.

KPMG Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik Anonim Sirketi
A member firm of KPMG International Cooperative



Izocam Ticaret ve Sanayi Anonim Sirketi

Convenience Translation to English of Financial Statements

As at and For the Year Ended 31 December 2018

With Independent Auditors Report (Originally Issued in Turkish)

Table Of Contents

PAGES

STATEMENT OF FINANCIAL POSITION	1-2
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENT	6-61
1 Organization and operations of the Company	6
2 Basis of presentation of financial statements	6
3 Segment reporting	29
4 Cash and cash equivalents	30
5 Financial liabilities	31
6 Derivative instruments	31
7 Related parties	32
8 Accounts receivable and payable	34
9 Other receivables and payables	35
10 Inventories	35
11 Prepaid expenses	35
12 Deferred income	35
13 Property, plant and equipment	36
14 Intangible assets	37
15 Provisions	38
16 Commitments and contingencies	40
17 Employee benefits	41
18 Other asset and liabilities	41
19 Equity	42
20 Revenue and cost of sales	44
21 Marketing, selling and distribution expenses	45
22 Administrative expenses	46
23 Expenses by nature	46
24 Other operating income and expenses	47
25 Expenses from investment activities	47
26 Finance income and expenses	48
27 Other comprehensive income	48
28 Income tax	48
29 Earnings per share	50
30 Financial instruments	51
31 Nature and level of risk arising from financial instruments	53
32 Financial instruments (the fair value explanations and disclosures within the framework of hedge accounting for financial risk)	59
33 Events after the balance sheet date	61
34 Other matters that significantly affect the financial statements or make the financial statements clear, interpretable and understandable	61

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Financial Position As at 31 December 2018

(All amounts are expressed in Turkish Lira ("TL").)

		Audited	Audited
	Notes	Current period	Prior Period
		31 December 2018	31 December 2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	23.344.895	22.054.849
Trade receivables	8	121.556.980	124.678.797
From related parties	7	612.490	2.151.391
From third parties		120.944.490	122.527.406
Other receivables		--	21.013
From third parties	9	--	21.013
Inventories	10	68.591.596	50.166.090
Prepaid expenses	11	3.757.326	2.072.752
Current tax assets	28	110.512	--
Other current assets	18	9.463.001	6.013.082
Total Current Assets		226.824.310	205.006.583
NON-CURRENT ASSETS			
Other receivables		6.063	6.229
From third parties	9	6.063	6.229
Property, plant and equipment	13	142.195.664	123.702.357
Intangible assets		261.213	474.142
Other	14	261.213	474.142
Prepaid expenses	11	1.516.413	1.779.907
Other non-current assets	18	45.248	3.287
Deferred tax assets	28	2.113.410	731.591
Total Non-Current Assets		146.138.011	126.697.513
TOTAL ASSETS		372.962.321	331.704.096

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Financial Position As at 31 December 2018

(All amounts are expressed in Turkish Lira ("TL").)

		Audited Current period 31 December 2018	Audited Prior Period 31 December 2017
Note			
LIABILITIES			
Short-term liabilities			
Short-term borrowings	5	52.805.401	49.866.593
Derivative financial instruments	6	1.623.295	443.449
Trade payables	8	84.340.723	68.177.892
To related parties	7	2.242.184	898.383
To third parties		82.098.539	67.279.509
Payables related to employment benefits	17	4.713.791	5.550.382
Other payables		5.292	36.079
To third parties	9	5.292	36.079
Deferred revenue	12	11.555.329	12.144.595
Current tax liabilities	28	--	1.544.048
Short term provisions		4.152.294	1.402.054
Other	15	4.152.294	1.402.054
Other short term liabilities	18	653.863	653.623
Total short-term liabilities		159.849.988	139.818.715
Long-Term Liabilities			
Long-term borrowings	5	4.104.643	--
Long term provisions		15.725.166	13.297.496
For employee benefits	15	15.725.166	13.297.496
Other payables		16.972	--
To third parties	9	16.972	--
Total long-term liabilities		19.846.781	13.297.496
TOTAL LIABILITIES		179.696.769	153.116.211
EQUITY			
Paid-in capital	19	24.534.143	24.534.143
Adjustment to share capital	19	25.856.460	25.856.460
Share premiums	19	1.092	1.092
Items that will never be reclassified to profit or loss		(5.850.632)	(4.816.365)
Actuarial losses from defined pension plans	19	(5.850.632)	(4.816.365)
Restricted profit reserves	19	42.711.791	42.711.791
Retained earnings	19	90.213.645	72.318.040
Net profit for the period	19	15.799.053	17.982.724
Total equity		193.265.552	178.587.885
TOTAL EQUITY AND LIABILITIES		372.962.321	331.704.096

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Profit or Loss and Other Comprehensive Income For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

		Audited Current period 1 January 31 December 2018	Audited Prior Period 1 January 31 December 2017
PROFIT OR LOSS	Note		
Revenue	20	538.974.737	457.297.727
Cost of sales (-)	20	(436.940.311)	(366.111.800)
GROSS PROFIT		102.034.426	91.185.927
Selling and marketing expenses (-)	21	(54.273.256)	(47.175.855)
Administrative expenses (-)	22	(21.657.167)	(15.967.206)
Impairment loss on trade and other receivables (-)	8	(179.610)	(56.632)
Research and development expenses (-)		--	(301.181)
Other operating income	24	21.942.779	8.939.523
Other operating expenses (-)	24	(9.200.350)	(3.780.924)
OPERATING PROFIT		38.666.822	32.843.652
Expense from investment activities (-)	25	(37.307)	(39.635)
OPERATING PROFIT BEFORE FINANCE EXPENSE		38.629.515	32.804.017
Finance income	26	679.751	208.613
Finance expenses (-)	26	(18.297.426)	(10.553.814)
FINANCE COSTS, NET		(17.617.675)	(10.345.201)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		21.011.840	22.458.816
Tax expense of continuing operations		(5.212.787)	(4.476.092)
Current tax expense	28	(6.311.467)	(5.250.810)
Deferred tax benefit	28	1.098.680	774.718
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		15.799.053	17.982.724
PROFIT FOR THE PERIOD		15.799.053	17.982.724
Earning per share			
Earnings per share from continuing operations	29	0,006	0,007
Diluted earnings per share			
Diluted earnings per share from continuing operations	29	0,006	0,007
OTHER COMPREHENSIVE INCOME			
Items not to be classified to profit or loss			
Remeasurement of defined benefit plans	15	(1.292.834)	(931.455)
Deferred tax effect of remeasurement of defined benefit	28	258.567	186.291
OTHER COMPREHENSIVE INCOME		(1.034.267)	(745.164)
TOTAL COMPREHENSIVE INCOME		14.764.786	17.237.560

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Changes in Equity For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

	Accumulated Other Comprehensive Income Not to Be Reclassified to Profit or Loss				Accumulated Profits			
	Paid-in Capital	Adjustment to Share Capital	Share Premiums	Defined Benefit Remeasurement Losses	Restricted Profit Reserves	Retained Earnings	Net Profit For the Period	Total Equity
Balance as at 1 January 2017	24.534.143	25.856.460	1.092	(4.071.201)	42.711.791	51.375.485	20.942.555	161.350.325
Transfers	--	--	--	--	--	20.942.555	(20.942.555)	--
Total comprehensive income	--	--	--	(745.164)	--	--	17.982.724	17.237.560
Other comprehensive income	--	--	--	(745.164)	--	--	--	(745.164)
Net profit for the period	--	--	--	--	--	--	17.982.724	17.982.724
Balance as at 31 December 2017	24.534.143	25.856.460	1.092	(4.816.365)	42.711.791	72.318.040	17.982.724	178.587.885
TFRS 9'un ilk uygulamasına ilişkin düzeltme	--	--	--	--	--	(87.119)	--	(87.119)
Balance as at 1 January 2018	24.534.143	25.856.460	1.092	(4.816.365)	42.711.791	72.318.040	17.982.724	178.587.885
Transfers	--	--	--	--	--	17.982.724	(17.982.724)	--
Total comprehensive income	--	--	--	(1.034.267)	--	--	15.799.053	14.764.786
Other comprehensive income	--	--	--	(1.034.267)	--	--	--	(1.034.267)
Net profit for the period	--	--	--	--	--	--	15.799.053	15.799.053
Balance as at 31 December 2018	24.534.143	25.856.460	1.092	(5.850.632)	42.711.791	90.213.645	15.799.053	193.265.552

Ekteki dipnotlar bu finansal tabloların tamamlayıcı parçalarıdır.

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Cash Flows

For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

		Audited	Audited
		Current period	Prior Period
	Note	1 January	1 January
		31 December 2018	31 December 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		40.894.495	12.477.265
Net profit for the period		15.799.053	17.982.724
Adjustments For Reconciliation of Profit For The Period		26.868.456	23.173.151
Adjustment for depreciation and amortization	13,14	14.503.601	13.000.432
Adjustment for employee severance indemnity	15	2.160.425	1.708.107
Adjustment for vacation pay, net	15	827.842	971.705
Adjustment for provision of doubtful receivables, net	8	179.610	56.632
Adjustment for provisions, net	15	2.750.240	1.260.970
Adjustment for interest expense	26	17.143.285	8.993.035
Adjustment for interest income		(15.946.641)	(7.333.457)
Adjustment for tax expense	28	6.311.467	5.250.810
Adjustment for deferred tax benefit	28	(1.098.680)	(774.718)
Loss on sales of property, plant and equipment	25	37.307	39.635
Change in working capital		8.046.445	(21.265.326)
Adjustment for increase in inventories		(17.683.559)	(14.188.373)
Adjustment for decrease (increase) in trade and other receivables		25.947.242	(6.069.808)
Adjustment for increase in trade and other payables		2.907.334	16.890.695
Adjustment for decrease deferred revenue		(589.266)	(4.857.811)
Adjustment for decrease (increase) in prepaid expenses		(1.684.574)	(984.354)
Adjustments for decrease in payables related to employee benefits		(836.591)	(889.705)
Adjustments for increase (decrease) in other assets and liabilities		3.236.607	(2.744.056)
Adjustments for increase in blockage accounts		(3.250.748)	(8.421.914)
Taxes paid		(7.966.028)	(4.988.889)
Employee benefit indemnity paid	15	(1.853.431)	(2.424.395)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(33.299.740)	(23.784.761)
Purchase of property, plant and equipment and intangible assets	13, 14	(33.718.733)	(32.374.590)
Proceeds from sale of property, plant and equipment		155.500	172.406
Adjustments for (decrease) increase in cash advance given		263.493	8.417.423
C. CASH FLOWS FROM FINANCING ACTIVITIES		(15.019.089)	(4.962.251)
Proceeds from loans		605.531.071	310.386.729
Repayment of borrowings		(605.397.664)	(302.863.754)
Interest paid		(15.830.785)	(12.698.643)
Interest received		678.289	213.417
Foreign Currency Effect of Translation Differences Net (Decrease)			
Increase in Cash and Cash Equivalents (A+B+C)		(7.424.334)	(16.269.747)

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

Izocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

		Audited	Audited
		Current period	Prior Period
		1 January	1 January
	Note	31 December 2018	31 December 2017
D. EFFECT ON FOREIGN CURRENCY DIFFERENCES ON CASH AND CASH EQUIVALENTS		5.462.170	534.858
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(1.962.164)	(15.734.889)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		4.451.570	20.186.459
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D+E)	4	2.489.406	4.451.570

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE COMPANY

İzocam Ticaret ve Sanayi Anonim Şirketi ("İzocam" 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 non-insulated roof and front panels, partition and mezzanine.

As at 31 December 2018, İzocam Holding Anonim Şirketi's ("İzocam Holding") share in İzocam is to 95,07 percent through acquisition of 1.501.330.396 shares not listed in Borsa İstanbul Anonim Şirketi ("BİST") from Koç Group on 29 November 2006 and on 10 July 2007 representing 61,16 percent of paid-in capital of İzocam together with the collection of 831.117.304 shares traded on BİST which represents 33,91 percent of paid-in capital of İzocam. İzocam Holding is a joint venture of Compagnie de Saint Gobain Group and Alghanim Group by with an equal ownership of 50 percent by both parties.

The Company conducts a portion of its operations with related parties of Saint Gobain Group and Alghanim Group companies. The Company has related parties acting as both customers and suppliers (Note 7). 38,84 percent of the shares of the Company are traded on the BİST since 15 April 1981. As at 31 December 2018, the Company's actual outstanding shares ratio at BİST is 4.93 percent (31 December 2017: 4.93 percent).

As at 31 December 2018, total number of employees of the Company is, on an average basis 467 (31 December 2017: 448) including 209 white collar employees (31 December 2017: 205), and 258 blue collar employees (31 December 2017: 243).

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

Altayçeşme Mahallesi Çamlı Sokak

No: 21 Kat: 4- 5

34843 Maltepe / İstanbul

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Preparation of Financial Statements

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

The accompanying financial statements are presented in accordance with the TAS Taxonomy issued by POA and announcement regarding with formats of financial statements and notes issued by CMB.

The financial statements were approved by the Board of Directors on 20 February 2019. The General Assembly have the right to amend the financial statements. The relevant regulatory bodies may request changes in the financial statements of the Company.

Financial statements are the first financial statements in which TFRS 15 and TFRS 9 have been applied. Changes to significant accounting policies are described in Note 2.5.

b) Basis of Measurements

Financial statements have been prepared on cost basis principal except for the derivative instruments which were measured on a fair value basis.

c) Functional and Reporting Currency

These financial statements are presented in Turkish Lira ("TL"), which is the Company's functional currency. All amounts have been presented in TL, unless otherwise indicated.

Adjustment of Financial Statements in Hyperinflationary Periods

As per the 17 March 2005 dated, 11/367 numbered decree of CMB, companies engaged in Turkey and those of which prepare their financial statements in accordance with TFRS, use of inflationary accounting standards have been discontinued effective from 1 January 2005. Accordingly, TAS 29 "Financial Reporting Standards in Hyperinflationary Economies", ("TAS 29") was no longer applied henceforward.

d) Foreign currency transactions

Transactions in foreign currencies are translated to TL at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

The closing European Union Currency ("Euro") and US Dollars ("USD") exchange rates for the year ended are as follows:

	31 December 2018	31 December 2017
Euro / TL	6,0280	4,5155
USD / TL	5,2609	3,7719

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.2 Statement of Compliance with TFRS

Accompanying financial statements are prepared in accordance with TFRS published by POA together with the provisions of accordance with to CMB's "Principles of Financial Reporting in Capital Market" dated 13 June 2013 and published in the Official Gazette numbered 28676 Series II. No.14.1. TFRS consist of standards and interpretations which are published as TAS, Turkish Financial Reporting Standards, TAS interpretations and TFRS interpretations.

The accompanying financial statements are presented in accordance with the TAS Taxonomy issued by POA and announcement regarding with formats of financial statements and notes issued by CMB.

2.3 Changes and Errors in Accounting Estimates

If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively. Changes in accounting policies or accounting errors applied retrospectively and the financial statements of the previous periods were adjusted. The significant estimates and assumptions used in preparation of these financial statements as at 31 December 2018 are same with those used in the preparation of the Company's financial statements as at and for the year ended 31 December 2017, except for the implementations of TFRS 15 and TFRS 9 explained in Note 2.4.

2.4 Significant accounting policies

a) IFRS 15 Revenue from Contracts with Customers

General model for revenue recognition

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition..

Step 1: Identifying the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Company accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Company defines 'performance obligation' as a unit of account for revenue recognition. The Company assesses the goods or services promised in a contract with a customer and identifies as:

- a) a performance obligation either a good or service that is distinct;
- b) or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

a) IFRS 15 Revenue from Contracts with Customers (continued)

Step 3: Determining the transaction price

In order to determine the transaction price, the Company assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Company considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Company revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Company's performance throughout the period, the Company concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable consideration

The Company identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Step 5: Recognition of revenue

The Company recognizes revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or
- Company's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Company uses a method that measures the work performed reliably.

The Company uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used.

The Company recognizes a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

a) IFRS 15 Revenue from Contracts with Customers (continued)

Step 5: Recognition of revenue (continued)

Contract modifications

The Company recognizes a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's various goods and services are set out below:

Type of product / service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Revenue from sales of product	The Company generates its revenue from the sale of produced isolation materials.	Under TAS 18, revenue for these contracts or orders was recognized when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition were met. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made.
	Revenue is recognized when the significant risk of and reward ownership has been transferred to the counter party.	
	Invoices are usually payable within 1 year.	There has been no significant impact in the financial statements resulting from the sale of products due to the application of TFRS 15 accounting policies.

b) Government incentives

Government grants are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

c) Finance income and finance expenses

Finance income comprises interest income on time deposits and foreign currency gains arising from financial assets and liabilities (excluding trade receivables and payables).

Finance expense comprises interest expense on borrowings, interest expense of long term provisions and foreign currency losses arising from financial assets and liabilities (excluding trade receivables and payables). Borrowing costs that are not directly attributable to acquisition, construction or production of qualifying assets are recognized in profit or loss.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

c) Finance income and finance expenses (continued)

Foreign currency gains and losses arising from financial assets and liabilities (excluding trade receivables and payables) reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in net gain or loss position. Foreign currency gain on trade receivables and payables are recognized within operating income, foreign currency losses are recognized within other operating expenses.

Interest expense is recognized as it accrues in profit or loss, using the effective interest method.

d) Employee benefits

i) Short term employee benefits

Short-term employee benefits are recognized as an expense when they are serviced.

A provision is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Other long term employee benefits

In accordance with the existing labor law in Turkey, the Company is required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause, or due to retirement, military service or death. It is calculated with respect to 30 day gross wages and recognized in the financial statements as the present value of the estimated total reserve of the future probable obligation of the Company. It is calculated as if all employees are subject to that payment and recognized in the financial statements on accrual basis. The computation of the liabilities is based upon the retirement pay ceiling announced by the government. As at 31 December 2018, the ceiling amount is TL 5.434 (31 December 2017: TL 4.732). As explained in Note 15, the Company management used some assumptions in the calculation employee benefits.

All actuarial gains or losses are recognized in other comprehensive income.

e) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except items recognized directly in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Corporate income tax is levied on the statutory corporate income tax base, which is determined by modifying income for certain tax exclusions and allowances. Current tax payable also includes any tax liability arising from the declaration of dividends.

Netting of current tax assets and current tax liabilities can be made under specified circumstances.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies(continued)

e) Income taxes (continued)

ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Netting of deferred tax assets and deferred tax liabilities can be made under specified circumstances.

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.

g) Property and equipment

i) Recognition and measurement

Tangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss arising on the disposal of an item of property, plant and equipment is recognized in profit or loss.

ii) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

g) Property and equipment (continued)

iii) Depreciation

Items of property 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 and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Lands are not subjected to depreciation.

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.

h) Intangible assets

i) Recognition and measurement

Research and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets

Other intangible assets acquired by the Company that have a specified useful life are measured at cost by deducting accumulated amortization and impairment losses.

ii) Subsequent costs

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

iii) Amortization

Amortization is calculated to write off the cost of items of intangible assets less their estimated residual values using the straight-line basis over their estimated useful lives and 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.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

i) Financial instruments

i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

i) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment: Policy applicable from 1 January 2018 (continued)

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, see (v) for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

i) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment: Policy applicable from 1 January 2018 (continued)

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- designated as at FVTPL;
- derivative hedging instruments.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss. However, see Note (v) for derivatives designated as hedging instruments.
Held-to-maturity financial assets	Measured at amortized cost using the effective interest method.
Loans and receivables	Measured at amortized cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss. See Note (v) for financial liabilities designated as hedging instruments.

iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

i) Financial instruments (continued)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

iv) Offsetting

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

v) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognized immediately in profit or loss.

j) Impairment

i) Non-derivative financial assets

Policy applicable from 1 January 2018 Financial instruments and contract assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost
- debt investments measured at FVOCI.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

j) Impairment (continued)

i) *Non-derivative financial assets (continued)*

Policy applicable from 1 January 2018 Financial instruments and contract assets (continued)

The Company measures loss allowances at an amount equal to lifetime expected credit losses ("ECL")'s, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 360 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

j) Impairment (continued)

i) Non-derivative financial assets (continued)

Policy applicable from 1 January 2018 Financial instruments and contract assets (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

- 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 would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

j) Impairment (continued)

i) *Non-derivative financial assets (continued)*

Policy applicable from 1 January 2018 Financial instruments and contract assets (continued)

Financial assets measured at amortized cost

The Company considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognized in profit or loss and reflected in an allowance account. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss was 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.

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.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

k) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

Non-financial assets (continued)

l) Leases

i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

ii) 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.

iii) Lease payments

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

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

m) Standards issued but not yet effective and not early adopted as at 31 December 2018

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows.

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases – Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 16.

The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 16.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

m) Standards issued but not yet effective and not early adopted as at 31 December 2018 (continued)

TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments

On 24 May 2018, POA issued TFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS Interpretation 23.

Amendments to TFRS 9 – Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 9.

The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

Amendments to TAS 28- Long-term Interests in Associates and Joint Ventures

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company does not expect that application of these amendments to TAS 28 will have significant impact on its financial statements.

The revised Conceptual Framework

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors.

The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

m) Standards issued but not yet effective and not early adopted as at 31 December 2018 (continued)

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

The following standards, interpretations of and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS.

The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015-2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.

A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company does not expect that application of these amendments to IAS 19 will have significant impact on its financial statements.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.4 Significant accounting policies (continued)

m) Standards issued but not yet effective and not early adopted as at 31 December 2018 (continued)

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

Annual Improvements to IFRSs 2015-2017 Cycle (continued)

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Company does not expect that application of these amendments to IAS 1 and IAS 8 will have significant impact on its financial statements.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Company does not expect that application of these amendments to IFRS 3 will have significant impact on its financial statements.

2.5 Changes in significant accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2017.

The Company has initially adopted TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers from 1 January 2018. Although there are other standards which are effective from 1 January 2018, these standards do not have any significant effect on the Company's financial statements.

2.5.1 TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations. See note 2.4 (a).

2.5.2 TFRS 9 Financial Instruments

TFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.5 Changes in significant accounting policies (continued)

2.5.2 TFRS 9 Financial Instruments (continued)

The following table summaries the impact, net of tax, of transition to TFRS 9 on the opening balance of retained earnings.

Impact of adopting TFRS 9 on opening balance	
Retained Earnings	
Recognition of expected credit losses under TFRS 9	111.691
Related tax	(24.572)
Impact at 1 January 2018	87.119

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

The detailed explanations on the classification and measurement of financial assets and financial liabilities of TFRS 9, are disclosed in Note 2.4 (i).

The effect of adopting TFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements. The following table and the accompanying notes, explain the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Company's financial assets as at 1 January 2018.

Financial assets	Original classification under TAS 39	New classification under TFRS 9	Original carrying amount under TAS 39	New carrying amount under TFRS 9
Trade and other receivables	Loans and receivables	Amortized cost	124.678.797	124.567.106
Cash and cash equivalents	Loans and receivables	Amortized cost	22.054.849	22.054.849
	Available for sale financial asset	FVTPL		
Derivative financial instruments			(443.449)	(443.449)
Total financial assets			146.290.197	146.178.506

Trade and other receivables that were classified as loans and receivables under TAS 39 are now classified at amortized cost. An increase of TL 111.691 in the allowance for impairment over these receivables was recognized in opening retained earnings at 1 January 2018 on transition to TFRS 9.

ii. Impairment of financial assets

TFRS 9 replaces the 'incurred loss' model in TAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under TFRS 9, credit losses are recognized earlier than under TAS 39. The financial assets at amortized cost consist of trade receivables and cash and cash equivalents. Detailed explanations on impairment of financial assets are disclosed in Note 2.4 (j).

Impact of the new impairment model

For assets in the scope of the TFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of TFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.5 Changes in significant accounting policies (continued)

2.5.2 TFRS 9 Financial Instruments (continued)

ii. Impairment of financial assets (continued)

Loss allowance as at 31 December 2017 under TAS 39	1.816.440
<i>Additional impairment recognized at 1 January 2018 on</i>	
trade and other receivables as at 31 December 2017	111.691
Loss allowance as at 1 January 2018 under TFRS 9	1.928.131

Trade receivables and contract assets

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of TFRS 9. The Company considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past five years. The Company performed the calculation of ECL rates separately for wholesale customers and other customers.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry – for wholesale customers; and delinquency status, geographic region, age of relationship and type of product purchased – for other customers.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for other customers as at 1 January 2018.

	Weighted-average loss rate %	Gross carrying amount	Loss allowance
Current (not past due)	0,08	121.573.210	100.706
1-60 days past due	0,23	2.811.029	6.518
61-90 days past due	0,77	110.980	855
91-120 days past due	2,00	79.171	1.583
121-150 days past due	2,00	98.918	1.974
151-180 days past due	1,00	5.489	55
		124.678.797	111.691

The methodology described above has also been used at the end of the interim reporting period.

iii. Transition

The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of TFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of TFRS 9 but rather those of TAS 39.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.6 Use of estimates and judgments

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

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

Assumptions and estimation uncertainties

As at 31 December 2018, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 15 – Remeasurement of liabilities related to employee benefit plans: Basic actuarial assumptions;
- Note 13-14– Useful life of property, plant and equipment;
- Note 15 – Recognition and measurement of provisions and contingencies: Basic assumptions about extent and possibility of the fund outflows;
- Note 30– Financial instruments.

Fair value measurement

A number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company uses market and observable data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Specific (uncorrected) prices in active markets for identical assets and obligations;
- Level 2: Directly (via prices) or indirectly (via producing from prices) variables which are observable for assets and liabilities and apart from specific prices mentioned in Level 1.
- Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognize the transfers through the hierarchial fair value levels at the end of the reporting period when the transfer occurred.

More information related to assumptions used in fair value measurements are included in the following notes:

- Note 30 – Financial instruments

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

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

2.7 Comparative information

The accompanying financial statements are prepared comparatively with the prior period in order to determine the Company's financial position, performance and trends in cash flow. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and related differences are disclosed in the related notes. The reclassifications in financial statement as at 31 December 2017 and in the statement of profit or loss and other comprehensive income for the period ended at the same date are as follows: Derivative instruments amounting to TL 443.449 in "Other current liabilities" has been reclassified to "Derivative instruments". Other profit reserves amounting to TL 44 and reserve reserves amounting to TL 2 in "Restricted reserves" has been reclassified to "Retained earnings". Other income from operating activities amounting to TL 263.808 and other expenses from operating activities amounting to TL 320.440 have been reclassified to "Impairment losses on trade and other receivables".

NOTE 3 – SEGMENT REPORTING

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

NOTE 4 – CASH AND CASH EQUIVALENTS

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

	31 December 2018	31 December 2017
Banks	2.398.668	2.640.917
- Demand deposits	77.206	2.640.917
- Time deposits	2.321.462	--
Restricted cash (*)	20.854.027	17.603.279
Cheques at collection (**)	92.200	1.810.653
	23.344.895	22.054.849

(*) As at 31 December 2018, cash and cash equivalents consist of restricted cash amounting to TL 20.854.027 (2017: TL 17.603.279). TL 1.786.264 TL portion of cash at blockage consist of Direct Borrowing System ("DBS") (2017: TL 2.083.069). On 17 March 2010, the Company has started to use DBS, a different 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 31 December 2018 TL 19.067.763 of cash blockage amount mainly comprised of the credit card receivables with a maturity less than 3 months (2017: TL 15.520.210).

(**) Cheques in collection are composed of the cheques which have not been transferred to the Company's bank deposits accounts as at 31 December 2018 with a maturity date before 31 December 2018.

As at 31 December, demand deposits comprised the following currencies;

	Time Deposits		Demand Deposit	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
TL	2.321.462	--	47.482	2.169.909
USD	--	--	29.724	399.998
Euro	--	--	--	71.010
	2.321.462	--	77.206	2.640.917

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 4 – CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 December, time deposits comprised the followings;

Currency	Interest rate %	Maturity date	Original balance	TL equivalence
TL	23	2 Ocak 2019	2.321.462	2.321.462
31 December 2018				2.321.462

The currency risk, interest rate risks and sensitivity analysis for the Company's financial assets and liabilities are disclosed in Note 31.

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 31 December are comprised the followings:

	31 December 2018	31 December 2017
Cash and cash equivalents	23.344.895	22.054.849
Less: Blockage	(20.854.027)	(17.603.279)
Less: Interest accrual	(1.462)	--
	2.489.406	4.451.570

NOTE 5 - FINANCIAL LIABILITIES

As at 31 December, bank borrowings comprised the followings:

	31 December 2018	31 December 2017
Short term unsecured bank borrowings (*)	51.312.500	49.866.593
Short term portion of long term finance lease liabilities	1.492.901	--
Short term financial liabilities	52.805.401	49.866.593
Long term finance lease liabilities	4.104.643	--
Long term financial liabilities	4.104.643	--
Total financial liabilities	56.910.044	49.866.593

(*) As at 31 December 2018, all of the outstanding bank borrowings are denominated in TL and the effective interest rate of bank borrowings is 25 percent (2017: 13,20 percent).

For the period ended 31 December 2018, cash flows from financial operations comprised the followings:

	1 January 2018	Cash flows	Non-cash changes acquisition	31 December 2018
Financial liabilities	49.866.593	133.407	1.312.500	51.312.500
	49.866.593	133.407	1.312.500	51.312.500

For the period ended 31 December 2017, cash flows from financial operations comprised the followings:

	1 January 2017	Cash flows	Non-cash changes acquisition	31 December 2017
Financial liabilities	46.049.226	7.522.975	(3.705.608)	49.866.593
	46.049.226	7.522.975	(3.705.608)	49.866.593

Izocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 5 - FINANCIAL LIABILITIES (CONTINUED)

As at 31 December 2018, financial leasing liabilities comprised the followings:

	Minimum leasing payments	Interest	Principal
Less than 1 year	2.894.163	(1.401.262)	1.492.901
Between 1- 3 years	5.316.522	(1.211.879)	4.104.643
	8.210.685	(2.613.141)	5.597.544

NOTE 6 - DERIVATIVE INSTRUMENTS

As at 31 December, net carrying amounts of derivative instruments on hand are as follows:

	31 December 2018		31 December 2017	
Derivatives on foreign currency	Asset	Liabilities	Asset	Liabilities
Forward transactions	--	1.623.295	--	443.449

All derivatives in a net payable position (negative fair value) are reported as derivative liabilities.

NOTE 7 – RELATED PARTIES

Due from related parties

As at 31 December, due from related parties are as follows:

	31 December 2018	31 December 2017
Saint-Gobain Weber Yapı Kimyasalları Sanayi Ticaret Anonim Şirketi ("Saint-Gobain Weber") (*)	210.105	1.933.353
Kuwait Insulating Material Mfg Co. (*)	175.411	--
Saint-Gobain Isover SA (*)	110.377	57.165
Saint-Gobain Adfors CZ S.R.O. (*)	95.337	78.133
Saint-Gobain Rigips Alçı Sanayi ve Ticaret Anonim Şirketi ("Saint-Gobain Rigips ") (*)	19.925	42.054
Saint Gobain İnovatif Malzemeleri ve Aşındırıcı Sanayi ve Ticaret Anonim Şirketi ("Saint Gobain İnovatif") (*)	1.335	--
Saint-Gobain Isover CRIR (*)	--	40.686
Total	612.490	2.151.391

Due from related parties and sales from related parties comprise of sales of stonewool, foamboard, rubber and glasswool and rent income and income of reflection of the expenses of common use areas.

(*) Companies are the group companies of the shareholders İzocam Holding.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 7 – RELATED PARTIES (CONTINUED)

Due to related parties

As at 31 December, due to related parties are as follows:

	31 December 2018	31 December 2017
Saint-Gobain Isover SA (*)	788.841	219.817
Saint-Gobain Seva AG (*)	630.661	87.176
Saint-Gobain Adfors CZ Glass Mat S.R.O.(*)	630.598	146.372
Grunzweig Hartman AG (*)	192.084	232.727
Saint-Gobain Rigips (*)	--	212.211
Saint Gobain İnovatif (*)	--	80
Total	2.242.184	898.383

Sales to related parties

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

	1 January – 31 December 2018	1 January – 31 December 2017
Saint-Gobain Weber (*)	2.367.127	3.150.963
Saint-Gobain Construction Products Albania Shpk (*)	442.614	--
Saint-Gobain Isover SA (*)	416.920	--
Saint-Gobain Adfors CZ Glass Mat S.R.O. (*)	415.188	233.981
Kuwait Insulating Material Mfg. Co. (*)	321.945	31.070
Saint-Gobain Rigips (*)	221.645	403.180
Saint Gobain Seva (*)	92.041	--
Saint-Gobain Isover Iberica S.L. (*)	38.233	--
Saint Gobain İnovatif (*)	6.478	1.216
Saint-Gobain Ppc Italia S.P.A. (*)	--	13.672
Total	4.322.191	3.834.082

(*) Companies are the group companies of the shareholders İzocam Holding.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 7 – RELATED PARTIES (CONTINUED)

Purchases from related parties

For the period ended 31 December, significant purchase transactions from related parties comprised the following:

	1 January – 31 December 2018	1 January – 31 December 2017
Saint Gobain Seva AG (*)	4.895.305	359.890
Saint Gobain Adfors CZ Glass Mat S.R.O. (*)	2.294.229	2.557.941
Saint Gobain Isover SA (*)	3.578.404	1.691.631
Grunzweig Hartman AG (*)	1.450.602	1.204.791
Saint-Gobain Rigips (*)	559.873	731.649
Saint Gobain Construction Products (*)	141.497	146.657
Saint-Gobain Weber (*)	121.180	189.536
Saint Gobain Recherche (*)	40.252	--
Saint Gobain İnovatif(*)	5.500	--
Saint Gobain Glass (Romania) (*)	--	18.613
Saint Gobain İnovatif (*)	--	1.297
Total	13.086.842	6.902.005

Due to related parties and the purchases from related parties consist of purchases of fiberglass, plasterboard and fiber machinery and the license fee and insurance expenses.

As at 31 December 2018, prepaid expenses amounting to TL 11.783 comprise prepaid expenses to related parties (31 December 2017: TL 2.402).

Remunerations to the top management

For the period ended 31 December, remunerations to the top management comprised the following:

	1 January – 31 December 2018	1 January – 31 December 2017
Short Term Benefits		
(Salaries, premiums, housing, company cars, social security, health insurance, vacation pay etc.)	5.766.841	3.745.374
Long term benefits		
(Termination indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	1.003.090	480.875
Total	6.769.931	4.226.249

(*) Companies are the group companies of the shareholders İzocam Holding.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 8- ACCOUNTS RECEIVABLE AND PAYABLE

Trade receivables

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

	31 December 2018	31 December 2017
Accounts receivable	104.942.797	109.965.973
Cheques receivable	16.614.183	14.712.824
Doubtful receivables	2.107.741	1.816.440
Less: Allowance for doubtful receivables	(2.107.741)	(1.816.440)
Total	121.556.980	124.678.797

As at 31 December 2018, TL 612.490 of accounts receivable comprised due from related parties (2017: TL 2.151.391) which disclosed in Note 7 in detail.

Average collection period of trade receivables is 85 days (2017: 101 days) which may change according to the type of the product and the terms of the agreement with the customer.

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

	31 December 2018	31 December 2017
0 -30 days	4.597.053	3.109.777
31 -60 days	4.476.221	3.856.721
61 -90 days	2.803.903	2.897.951
91 days and over	4.259.270	4.848.375
Total	16.136.447	14.712.824

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

	31 December 2018	31 December 2017
Balance as at 1 January	1.816.440	1.759.808
Adjustment on initial application of TFRS 9 (*)	111.691	--
Provisions for the period under TFRS 9	111.658	--
Provision for the period	190.702	320.440
Collection/ write offs during the period	(122.750)	(263.808)
Balance as at 31 December	2.107.741	1.816.440

(*) The Company has initially applied TFRS 9 at 1 January 2018 under the transition method chosen, comparative information is not restated.

Trade Payables

As at 31 December 2018, short-term trade payables amounting to TL 84.340.723 (2017: TL 68.177.892) arising from accounts payable to various suppliers and average payment term is 82 days (31 December 2017: 79 days).

As at 31 December 2018, TL 2.242.18 of trade payables comprised due to related parties (2017: TL 898.383) which disclosed in Note 7 in detail.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other short term receivables

As at 31 December 2018, there is no other short term receivables (2017: TL 21.013).

Other long term receivables

As at 31 December 2018, other long term receivables amounting to TL 6.063 comprise deposits given (2017: TL 6.229).

Other short term payables

As at 31 December 2018, other short term payables amounting to TL 5.292 comprise other payables (2017: TL 36.079).

Other long term payables

As at 31 December 2018, other long term payables amounting to TL 16.972 comprise deposits and guarantees received (2017: None).

NOTE 10 - INVENTORIES

As at 31 December inventories comprised the following:

	31 December 2018	31 December 2017
Raw materials and supplies	44.053.389	35.835.849
Finished goods	24.298.137	14.025.550
Trading goods	240.070	304.691
Total	68.591.596	50.166.090

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

As at 31 December 2018, inventories are insured amounting to TL 66.123.161 (2017: TL 65.284.346).

NOTE 11 - PREPAID EXPENSES

As at 31 December short term prepaid expenses comprised the following:

	31 December 2018	31 December 2017
Advances given for inventory	2.738.043	1.464.370
Prepaid expenses (*)	1.019.283	608.382
	3.757.326	2.072.752

(*) As at 31 December, prepaid expenses consists of insurance and office rent expenses.

As at 31 December long term prepaid expenses comprised the following:

	31 December 2018	31 December 2017
Advances given for fixed assets	1.516.413	1.779.907
	1.516.413	1.779.907

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 12 - DEFERRED INCOME

As at 31 December deferred income comprised the following:

	31 December 2018	31 December 2017
Advances received from customers	11.555.329	12.144.595
	11.555.329	12.144.595

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2018, the movement of property, plant and equipment are as follows:

	1 January 2018	Additions	Disposals	Transfers	31 December 2018
Cost					
Land	5.991.310	--	--	--	5.991.310
Land improvements	5.601.344	1.500	--	542.829	6.145.673
Buildings	63.274.372	--	--	57.550	63.331.922
Machinery and equipment	244.930.521	1.756.842	-705.363	10.369.568	256.351.568
Vehicles	--	6.171.438	--	1.102	6.172.540
Furniture and fixtures	9.599.853	722.175	-296.550	583.210	10.608.688
Leasehold improvements	2.907.323	75.000	--	--	2.982.323
Construction in progress (*)	5.631.885	24.945.033	-104.709	-11.581.262	18.890.947
Total cost	337.936.608	33.671.988	-1.106.622	-27.003	370.474.971
Accumulated depreciation					
Land improvements	-3.548.659	-196.459	--	--	-3.745.118
Buildings	-24.032.780	-1.514.963	--	--	-25.547.743
Machinery and equipment	-178.549.998	-11.927.234	704.685	--	-189.772.547
Vehicles	--	-104.942	--	--	-104.942
Furniture and fixtures	-7.483.252	-969.133	258.565	--	-8.193.820
Leasehold improvements	-619.562	-295.575	--	--	-915.137
Total accumulated depreciation	-214.234.251	-15.008.306	963.250	--	-228.279.307
Net book value	123.702.357				142.195.664

(*) For the period ended 31 December 2018, contruction in progress mainly comprise investments of stonewool furnace revision. Investments of stonewool furnace revision will be completed in 2019.

For the year ended 31 December 2018, depreciation expenses amounting to TL 13.552.823 (31 December 2017: TL 12.332.300) has been recognized under cost of sales, TL 713.536 (31 December 2017: TL 482.376) has been recognized under general administrative expensenses and TL 741.947 (31 December 2017: 437.257 TL) has been recognized under inventories.

As at 31 December 2018, property, plant and equipment are insured against the earthquake, fire, flood and similar disasters amounting to TL 551.801.218 (2017: TL 570.720.574).

As at 31 December 2018 and 2017, there are no assets pledged as collateral.

In 2018, vehicles amounting to TL 6.171.438 has been purchased through financial leasing.

As at 31 December 2018, construction in progress amounting to TL 27.003 has been transferred to software rights.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ended 31 December 2017, the movement of property, plant and equipment are as follows:

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Cost					
Land	5.997.308	--	(5.998)	--	5.991.310
Land improvements	5.115.932	36.500	(4.014)	452.926	5.601.344
Buildings	57.664.531	--	(1.366)	5.611.207	63.274.372
Machinery and equipment	225.985.042	2.838.759	(8.033.718)	24.140.438	244.930.521
Furniture and fixtures	8.921.011	717.798	(95.320)	56.364	9.599.853
Leasehold improvements	1.140.980	5.133	(1.170)	1.762.380	2.907.323
Construction in progress (*)	9.042.449	28.612.751	--	(32.023.315)	5.631.885
Total cost	313.867.253	32.210.941	(8.141.586)	--	337.936.608
Accumulated depreciation					
Land improvements	(3.387.760)	(163.129)	2.230	-	(3.548.659)
Buildings	(22.574.509)	(1.459.478)	1.207	-	(24.032.780)
Machinery and equipment	(175.999.847)	(10.512.965)	7.962.814	-	(178.549.998)
Furniture and fixtures	(6.655.241)	(890.995)	62.984	-	(7.483.252)
Leasehold improvements	(395.366)	(225.366)	1.170	-	(619.562)
Total accumulated depreciation	(209.012.723)	(13.251.933)	8.030.405	-	(214.234.251)
Net book value	104.854.530				123.702.357

(*) For the year ended 31 December 2017, construction in progress mainly consist of investments in Tarsus for revision of furnace and third pipeline and in Gebkim facilities. The furnace revision in Tarsus and investments in Gebkim facilities were completed and capitalized in 2017.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 14 – INTANGIBLE ASSETS

For the year ended 31 December 2018, the movement of intangible assets are as follows:

	1 January 2018	Additions	Disposals	Transfers	31 December 2018
Cost					
Software rights	1.367.490	46.745	27.003	--	1.441.238
Development cost	49.435	--	--	(49.435)	--
Total cost	1.416.925	46.745	27.003	(49.435)	1.441.238
Less: Accumulated amortization					
Software rights	(942.783)	(237.242)	--	--	(1.180.025)
Total accumulated amortization	(942.783)	(237.242)	--	--	(1.180.025)
Net book value	474.142				261.213

For the year ended 31 December 2018, amortization expenses amounting to TL 237.242 (31 December 2017: TL 185.756) has been recognized under general administrative expenses.

For the year ended 31 December 2018 and 2017, the Company does not have any intangible assets that are created within the Company.

For the period ended 31 December 2017, the movement of intangible assets are as follows:

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Software rights	1.203.841	163.649	--	1.367.490
Development cost	150.295	--	(100.860)	49.435
Total Cost	1.354.136	163.649	(100.860)	1.416.925
Less: Accumulated amortization				
Software rights	(757.027)	(185.756)	--	(942.783)
Total Accumulated amortization	(757.027)	(185.756)	--	(942.783)
Net book value	597.109			474.142

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 15 – PROVISIONS

Other short term provisions

As at 31 December, other short-term provisions comprised the following:

	31 December 2018	31 December 2017
Provision for expenses	4.048.809	1.302.271
Miscellaneous expense provisions	103.485	99.783
Total	4.152.294	1.402.054

For the year ended 31 December 2018, the movement of other short-term provisions are as follows:

	1 January 2018	Additions	Payments / Reversals	31 December 2018
Union expense provision (*)	--	1.575.465	--	1.575.465
Product complain provision	--	1.359.875	--	1.359.875
Provisions for litigation (**)	1.302.271	284.469	(473.271)	1.113.469
Miscellaneous expense provisions (***)	99.783	3.702	--	103.485
Total	1.402.054	3.223.511	(473.271)	4.152.294

For the year ended 31 December 2017, the movement of other short-term provisions are as follows:

	1 January 2017	Additions	Payments / Reversals	31 December 2017
Provisions for litigation	78.500	1.302.271	(78.500)	1.302.271
Miscellaneous expense provisions (**)	62.584	418.689	(381.490)	99.783
Total	141.084	1.720.960	(459.990)	1.402.054

(*) On July 2018, the Company received a certificate of authority from Ministry of Labour and Social Security Directorate General of Labour, indicating that Kristal Labour Union is entitled to collective bargaining agreements within the Company. According to the agreement with the Union, the Company paid amounting to TL 1.575.465 for the workers retrospectively in February 2019.

(**) Provisions for litigation comprise provision for the reinstatement claim for employment and employee claims.

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

Long term provision for employee benefits

As at 31 December, long term provision for employee benefits comprised the following:

	31 December 2018	31 December 2017
Provision for severance payments	12.522.401	10.211.807
Provision for unused vacation pay liability	3.202.765	3.085.689
Total	15.725.166	13.297.496

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 15 – PROVISIONS (CONTINUED)

Long term provision for employee benefits (continued)

According to the legislation in Turkey, employees who completed one working year in the Company, are dismissed without any meaningful reason, quit due to the military service, pass away, completed 25 working years for male, 20 working years for female and are at retirement date (58 years old for female, 60 years old for male) should be paid for termination benefit. Due to the amendment of the legislation on 8 September, there are certain transitional liabilities regarding duration of service depending on retirement.

As at 31 December 2018, these payments calculate on 30 days salary according to at the most TL 5.434 (2017: TL 4.732) at the rate of retirement or resignation day per the year worked. Provision of termination benefit is calculated on the current period and reflected to financial statements. The provision is calculated on estimating the present value of the possible liability in the future caused by retirements of employees of the Company. This calculation is made according to the ceiling announced by the government.

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. TMS require actuarial valuation methods to be developed to entities' 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 31 December 2018, 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 reporting period dates have been calculated assuming an annual inflation rate of 10 percent and a discount rate of 15 percent, resulting in a real discount rate of approximately 4,55 percent (31 December 2017: an annual inflation rate of 7 percent, a discount rate of 11,50 percent, a real discount rate of approximately 4,21 percent).

The movement of retirement pay provision for the years ended 31 December, are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	10.211.807	8.945.744
Interest cost	1.082.154	821.467
Cost of services	1.078.271	886.640
Payment made during the period	(1.142.665)	(1.373.499)
Actuarial loss	1.292.834	931.455
Balance as at 31 December	12.522.401	10.211.807

The movement of unused vacation pay liability for the years ended 31 December, are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	3.085.689	3.164.880
Additional provision during the period	827.842	971.705
Used in year	(710.766)	(1.050.896)
Balance as at 31 December	3.202.765	3.085.689

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 16 – COMMITMENTS AND CONTINGENCIES

As at 31 December, the Company's position related to letter of guarantees given, pledges and mortgages ("GPM") were as follows:

	31 December 2018	31 December 2017
A Commitments given in the name of own legal Entity	17.538.508	22.850.828
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	-	-
- C maddesi kapsamına girmeyen 3. kişiler lehine vermiş olduğu TRİ'ler	-	-
Total	17.538.508	22.850.828

As at 31 December 2018 and 2017, the Company's GPM comprise letter of guarantees obtained from banks and given to Custom Offices, foreign and domestic suppliers and to banks and notes given as collaterals.

As at 31 December 2018, the ratio of other GPM's given by the Company to the Company's own funds is 0 percent (31 December 2017: 0 percent).

As at 31 December, non-cancellable operating lease rentals payable are as follows:

	31 December 2018	31 December 2017
1. year	15.166	772.300
2. year	--	129.505
3. year	--	32.376
Total	15.166	934.181

As at 31 December 2018, the credit limits and balances of the customers included in the DBS system were determined by the related banks. The Company has acknowledged that the Bank has the right to cancel the loans of the customers who use the credit limits continuously for 30 days at the limit level and without regular repayment. The Company acknowledges that if the loans are not closed within the given period, the Bank has the right to observe the credit relationship with the customer and, if necessary, to follow up the customer.

NOT 17 – PAYABLES RELATED TO EMPLOYEE BENEFITS

At 31 December, payables related to employee benefits comprised the followings:

	31 December 2017	31 December 2016
Bonuses to employees (*)	1.702.275	2.056.429
Social security premium payable	1.151.034	1.721.525
Withholding taxes and duties	1.768.786	1.724.947
Others	91.696	47.481
Total	4.713.791	5.550.382

(*) Provisions for employee bonuses are the amount that determined according to decision over performance criteria by Izocam's Board of Directors. The personnel premium amount regarding the year 2018 were paid in January 2019 (the year 2017 were paid in January 2018).

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 18 – OTHER ASSET AND LIABILITIES

Other current assets

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

	31 December 2018	31 December 2017
Value Added Taxes ("VAT")	8.429.595	5.376.048
VAT receivable on exports	234.201	271.255
Taxes and duties receivable	546.194	211.248
Other	253.011	154.531
	9.463.001	6.013.082

Other non current assets

As at 31 December 2018, the Company has deposits and guarantees given amounting to TL 45.248 (2017: TL 3.287).

Other short term liabilities

As at 31 December, other short term liabilities comprised the following:

	31 December 2018	31 December 2017
VAT payables as responsible party	649.324	437.663
Other	4.539	215.960
	653.863	653.623

NOTE 19 – EQUITY

Capital

As at 31 December 2018, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (31 December 2017: 2.453.414.335 shares) of kr 1 each, There are no privileges rights provided to different shareholder groups or individuals.

As at 31 December, the shareholder structure of the Company is as follows:

	31 December 2018		31 December 2017	
	Shares	Ownership interest %	Shares	Ownership interest %
Izocam Holding	15.004.304	61,16	15.004.304	61,16
Izocam Holding (Publicly traded)	8.320.173	33,91	8.320.173	33,91
Other (Publicly traded)	1.209.666	4,93	1.209.666	4,93
	24.534.143	100,00	24.534.143	100,00
Adjustment on capital	25.856.460		25.856.460	
	50.390.603		50.390.603	

As at 31 December 2018, adjustment on capital amounting to TL 25.856.460 consist of capital adjustment differences arising from the restatement of the Company's capital amount and which have not been offset against the accumulated losses or have not been included in the capital (31 December 2017: TL 25.856.460).

The Company acknowledged registered capital system under the provisions of Law No. 6362 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 and comprises of 6.000.000.000 shares issued of kr 1 each.

As at 31 December 2018, the Company does not have any unpaid share capital.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 19 – EQUITY (CONTINUED)

Share Premiums

As at 31 December 2018, the Company's share premium is amounting to TL 1.092 (2017: TL 1.092).

Restricted Reserves

Restricted reserves are reserves which are reserved for specific purposes from previous period profit other than due to law or contractual obligations or dividend payments. These reserves are presented as the same amount in Company's statutory books and differences arising preparing the financial statements in accordance with TFRS are associated with prior years' profit or losses.

As at 31 December, the details of the restricted reserves, which were separated from the profit at are as follows:

	31 December 2018	31 December 2017
First legal reserve	4.906.828	4.906.828
Second legal reserve	37.804.963	37.804.963
Total	42.711.791	42.711.791

In accordance with the Turkish Commercial Code ("TCC") numbered 519, the first legal reserve is appropriated out of statutory profits at the rate of 5 percent per annum, until the total reserve reaches 20 percent of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10 percent per annum of all cash distributions in excess of 5 percent of the paid-in share capital.

Since the first legal reserve amount has reached the limit of 20 percent of the paid-in share capital as at 31 December 2018, the first legal reserve is not distributed over the net profit for the year 2017. There is no limit for the second legal reserve.

Unless such reserves do not exceed half of the Company's paid-in capital, the reserves may only be used to cover the losses, to continue operations or to prevent unemployment and to mitigate the consequences when business is not doing well.

Accumulated Other Comprehensive Income Not to Be Reclassified to Profit or Loss

Actuarial losses from defined pension plans

As at 31 December 2018, the actuarial losses from defined pension plans is amounting to TL 5.850.632 (2017: TL 4.816.365 TL) and comprise the actuarial gain and loss recognized as other comprehensive income.

Retained Earnings

The accumulated profits other than the net profit for the period is presented in retained earnings.

The extraordinary reserves which are accumulated profits are also presented in retained earnings.

	31 December 2018	31 December 2017
Retained earnings	90.213.599	72.317.994
Other reserves	44	44
Special reserves	2	2
Total	90.213.645	72.318.040

Net Profit For The Period

As at 31 December 2018 and 2017, no dividend distributed.

For the year ended 31 December 2018, the net profit is amounting to TL 15.799.053 (2017: TL 17.982.724). According to the Tax Procedure Law, for the year ended 31 December 2018 the net profit in the Company's statutory record is amounting to TL 16.929.534 (31 December 2017: TL 18.473.411).

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 20 – REVENUE AND COST OF SALES

The effect of initially applying TFRS 15 on the Company's revenue from contracts with customers is described in Note 2.4 (a).

The Company generates its revenue from the sale of produced isolation materials.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product / service	Nature, timing of satisfaction of performance obligations, significant payment terms	Revenue recognition under TFRS 15 (applicable from 1 January 2018)	Revenue recognition under TAS 18 (applicable before 1 January 2018)
Revenue from sales of product	<p>The Company generates its revenue from the sale of produced isolation materials.</p> <p>Revenue is recognized when the significant risk of and reward ownership has been transferred to the counter party.</p> <p>Invoices are usually payable within 1 year.</p>	<p>There has been no significant impact in the financial statements resulting from the sale of products due to the application of TFRS 15 accounting policies.</p>	<p>Revenue was recognized when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred, provided that a reasonable estimate of the returns could be made.</p> <p>If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made.</p>

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

	1 January – 31 December 2018	1 January – 31 December 2017
Domestic sales	440.244.521	380.452.951
Export sales	112.308.957	80.901.902
Other	22.681.031	20.383.825
Gross sales	575.234.509	481.738.678
Less: Sales returns and discounts	(36.259.772)	(24.440.951)
Net sales	538.974.737	457.297.727
Less: Cost of sales	(436.940.311)	(366.111.800)
Gross profit	102.034.426	91.185.927

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

	1 January – 31 December 2018	1 January – 31 December 2017
Raw materials and consumables	402.190.576	331.021.248
Personnel	31.404.878	25.837.837
Depreciation	13.552.823	12.332.300
Changes in inventory	(10.207.966)	(3.079.585)
	436.940.311	366.111.800

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 21 – MARKETING, SELLING AND DISTRIBUTION EXPENSES

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

	1 January – 31 December 2018	1 January – 31 December 2017
Freight and insurance	25.676.827	21.948.055
Personnel	10.356.912	9.800.395
Storage and loading	4.586.700	4.342.754
Dealer meeting	4.255.297	2.712.439
Licenses	3.539.733	2.883.594
Advertisement	1.433.593	1.455.201
Transportation	1.111.830	775.774
Rent	784.887	666.433
Collateral	689.009	561.360
Travel	236.292	393.504
Exhibition and fair	204.943	367.055
Other	1.397.233	1.269.291
	54.273.256	47.175.855

NOTE 22 – ADMINISTRATIVE EXPENSES

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

	1 January – 31 December 2018	1 January – 31 December 2017
Personnel	13.472.125	9.416.886
Service vehicle and road	1.003.247	668.083
Depreciation and amortization	950.778	668.132
IT expenses	831.145	649.344
Travel	394.688	312.839
Subscription fees	584.195	500.018
Rent	554.720	917.570
Litigation	484.991	349.771
Consultancy	228.064	222.439
Duties, taxes and levies	212.145	385.529
Representation	200.379	186.021
Communication	165.009	109.636
Stationery and printing	126.057	96.090
Insurance	116.823	124.816
Repair, maintenance, repair and energy	112.848	144.064
Other	2.219.953	1.215.968
	21.657.167	15.967.206

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 23 – EXPENSES BY NATURE

Depreciation and amortization

For the years ended 31 December, expenses by nature comprised the following:

	1 January – 31 December 2018	1 January – 31 December 2017
Cost of sales (Note 20)	13.552.823	12.332.300
Administrative expenses (Note 22)	950.778	668.132
	14.503.601	13.000.432

Personnel expenses

	1 January – 31 December 2018	1 January – 31 December 2017
Cost of Sales (Note 20)	31.404.878	25.837.837
Administrative expenses (Note 22)	13.472.125	9.416.886
Marketing and sales expenses (Note 21)	10.356.912	9.800.395
	55.233.915	45.055.118

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

	1 January – 31 December 2018	1 January – 31 December 2017
Wages and salaries	52.820.012	42.840.154
Increase in the provision for severance pay	1.906.113	1.858.345
Other	507.790	356.619
	55.233.915	45.055.118

NOTE 24 – OTHER OPERATING INCOME AND EXPENSES

Other operating income

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

	1 January – 31 December 2018	1 January – 31 December 2017
Interest income on credit sale	15.266.890	7.124.844
Foreign exchange gains on operations	3.149.742	337.657
Income from late interest on credit sale	1.107.805	207.351
Insurance income	1.005.788	740.508
Other	1.412.554	529.163
	21.942.779	8.939.523

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 24 – OTHER OPERATING INCOME AND EXPENSES (CONTINUED)

Other operating expense

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

	1 January – 31 December 2018	1 January – 31 December 2017
Foreign exchange losses on operations	5.185.804	1.017.738
Union expense provision (Note 15)	1.575.465	--
Product complain provision (Note 15)	1.359.875	--
Other litigation provision	284.469	1.302.271
Fire damage expenses (*)	--	1.273.063
Other	794.737	187.852
	9.200.350	3.780.924

(*) On 3 December 2016, the company warehouses and finished warehouse were partially damaged in the fire in the warehouse section of the Company's Gebkim factory in Dilovası. Fire damage expenses includes the expenses that can not be collected from insurance.

NOTE 25 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

For the years ended 31 December, income and expenses from investment activities comprised the following:

	1 January – 31 December 2018	1 January – 31 December 2017
Loss on sale of property, plant and equipment	37.307	39.635
Expense from investing activities	37.307	39.635

NOTE 26 – FINANCE INCOME AND EXPENSES

Finance income

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

	1 January – 31 December 2018	1 January – 31 December 2017
Interest income on time deposits	679.751	208.613
	679.751	208.613

Finance expense

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

	1 January – 31 December 2018	1 January – 31 December 2017
Interest expense on borrowings	17.143.285	8.993.035
Interest cost on defined benefit plan	1.082.154	821.467
Commission expenses	71.987	739.312
	18.297.426	10.553.814

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 27 – OTHER COMPREHENSIVE INCOME

As at 31 December 2018 expense amounting to TL 1.034.267 (2017 : expense amounting to TL 745.164) has been realized in other comprehensive income which will not be reclassified from profit or loss.

NOTE 28 – INCOME TAX

Corporate income tax is levied at the rate of 22 percent (2017: 20 percent).

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Corporations are required to pay advance corporation tax quarterly at the rate of 22 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 tax assets and liabilities

As at 31 December, total current tax liability comprised the following:

	31 December 2018	31 December 2017
Corporate tax provision	6.266.041	5.250.810
Prepaid taxes	(6.376.553)	(3.706.762)
(Current year tax assets)/ Current year tax liabilities	(110.512)	1.544.048

As at 31 December, total tax expense comprised the following:

	1 January – 31 December 2018	1 January – 31 December 2017
Current year tax expense	6.311.467	5.250.810
- Current year tax expense	6.266.041	5.250.810
- Adjustments for the prior year	45.426	--
Deferred tax expense	(1.098.680)	(774.718)
	5.212.787	4.476.092

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 28 – INCOME TAX (CONTINUED)

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.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017 "Law Amending Some Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20 percent to 22 percent. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22 percent tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20 percent tax for those which will be realized after 2021 and onwards.

Deferred tax assets and deferred tax liabilities as at 31 December 2018, were attributable to the items detailed in the table below:

31 December 2018		
	Temporary Differences	Deferred Tax Assets/ (Liabilities)
Employee severance indemnity	12.522.401	2.504.480
Vacation pay liability	3.202.765	640.553
Interest expense accrual	1.935.354	425.778
Amortization and depreciation of tangible and intangible assets	(14.577.863)	(2.915.573)
Other	6.628.054	1.458.172
Deferred tax asset/(liability), net		2.113.410

Deferred tax assets and deferred tax liabilities as at 31 December 2017, were attributable to the items detailed in the table below:

31 December 2017		
	Temporary Differences	Deferred Tax Assets/ (Liabilities)
Employee severance indemnity	10.211.807	2.042.361
Vacation pay liability	3.085.689	617.138
Interest expense accrual	1.404.108	308.904
Amortization and depreciation of tangible and intangible assets	(14.718.008)	(2.943.602)
Other	3.212.679	706.790
Deferred tax asset/(liability), net		731.591

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 28 – INCOME TAX (CONTINUED)

Deferred tax assets and liabilities (continued)

For the years ended 31 December, the movement of deferred tax liabilities is as follows:

	1 January 31 December 2018	1 January 31 December 2017
Opening balance as of 1 January	731.591	(229.418)
Adjustment on initial application of TFRS 9	24.572	--
Other comprehensive deferred tax of income	258.567	186.291
Deferred tax benefit	1.098.680	774.718
Closing balance as of 31 December	2.113.410	731.591

For the years ended 31 December, the tax reconciliation is as follows:

	%	1 January 31 December 2018	%	1 January 31 December 2017
Profit before tax		21.011.840		22.458.816
Tax rate %		22		20
Taxes on reported profit per statutory tax	22	(4.622.605)	20	(4.491.763)
Disallowable expenses	2	(513.684)	1	(137.709)
Effect of change in statutory tax rate on deferred tax	--	--	--	92.336
Other	--	(76.498)	--	61.044
Tax expense	24	(5.212.787)	21	(4.476.092)

NOTE 29 – EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the year ended 31 December 2018 amounting to TL 15.799.053 (31 December 2017: TL 17.982.724) to the weighted average of the shares during these periods.

	1 January 31 December 2018	1 January 31 December 2017
Earnings per share		
Net profit	15.799.053	17.982.724
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335
Number of weighted average of ordinary shares	0,006	0,007
Basic Earnings per share (Kr per share)	0,006	0,007

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 30 – FINANCIAL INSTRUMENTS

Financial risk management

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

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

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. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. 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. The Company audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure. 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. The Company is exposed to credit risk amounting to TL 16.546.171 (2017: TL 22.444.454) when comparing the existing risks of the customers with the receivables. Provisions are considered to be within the prescribed limits when considering the past experience of collecting the Company's trade receivables. Therefore, management does not foresee any additional risk related to the Company's trade receivables.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As at 31 December 2018, the Company has guaranteed the receivables amounting to TL 172.157.588 (31 December 2017: TL 154.928.000) via Direct Borrowing System aiming to avoid liquidity risk.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 30 – FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

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.

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.

Faiz Oranı Riski

Şirket faiz oranlarındaki değişikliklerin faize duyarlı varlık ve yükümlülüklerine olan etkisinden dolayı faiz oranı riskine maruz kalmaktadır.

Operational risk

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. 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.

Capital risk management

The company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing its profit and market value through the optimization of the debt and equity balance.

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 31 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

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 4,7 percent (31 December 2017: 5,2 percent) of the Company's revenue is attributable to sales transactions with a single customer. Largest balance of trade receivables is TL 10.803.888 for a single customer (31 December 2017: TL 9.274.836).

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

	31 December 2018	31 December 2017
1. and 5. District Office (Marmara, West Black Sea Regions)	65.135.561	65.405.466
2. District Office (Central Anatolia, Middle Black Sea Regions)	20.145.335	12.803.704
4. District Office (Aegean and Mediterranean Sea Regions)	13.342.729	20.636.371
Middle East, Balkans, Africa and Others	11.181.817	15.655.508
3. District Office (South East Anatolia, East Anatolia, East Black Sea Regions)	11.751.538	10.177.748
Total	121.556.980	124.678.797

As at 31 December 2018, the Company has a letter of guarantee amounting to TL 12.163.831 (2017: TL 7.294.637), mortgage amounting to TL 10.000 (2017: TL 10.000), Eximbank guarantee amounting to TL 22.249.430 (2017: TL 16.222.621), collaterals received as notes amounting to TL 243.350 (2017: 240.000), borrowing system guarantees amounting to TL 172.157.588 (31 December 2017: TL 154.928.000).

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 31 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

	Receivables				
	Trade receivables		Other receivables		Other
31 December 2018	Related party	Other	Related party	Other	
Exposure to maximum credit risk as at reporting date (A + B+C+D)	612.490	120.944.490	--	6.063	17.538.508
- The part of maximum risk under guarantee with collateral	612.490	120.944.490	--	6.063	17.538.508
A. Net carrying value of financial assets which are neither impaired nor overdue	612.490	113.461.197	--	6.063	-
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	7.483.293	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	6.859.454	--	--	--
D. Net carrying value of financial assets which are impaired	--	--	--	--	--
- Past due (gross book value)	--	2.107.741	--	--	--
- Impairment (-)	--	2.107.741	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	17.538.508

Receivables

31 December 2018	Trade receivables	Other receivables
Past due 1-30 days	6.914.186	--
Past due 1-2 months	453.209	--
Past due 3-6 months	113.043	--
More than 6 months	2.855	--

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 31 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Credit risk (continued)	Receivables						
	Trade receivables		Other receivables			Deposits on banks	Other
	Related party	Other	Related party	Other			
31 December 2017							
Exposure to maximum credit risk as at reporting date (A +B+C+D)	2.151.391	122.527.406	--	27.242	2.640.917	22.850.828	
- The part of maximum risk under guarantee with collateral	2.151.391	122.527.406	--	27.242	2.640.917	22.850.828	
A. Net carrying value of financial assets which are neither impaired nor overdue	2.151.391	119.296.992	--	27.242	2.640.917	--	
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--	
C. Net carrying value of financial assets which are overdue but not impaired	--	3.230.414	--	--	--	--	
- Covered portion of net book value (with letter of guarantee etc.)	--	2.561.145	--	--	--	--	
D. Net carrying value of financial assets which are impaired	--	--	--	--	--	--	
- Past due (gross book value)	--	1.816.440	--	--	--	--	
- Impairment (-)	--	(1.816.440)	--	--	--	--	
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	
- Impairment (-)	--	--	--	--	--	--	
E. Off balance sheet items with credit risks	--	--	--	--	--	22.850.828	

Receivables

31 December 2017	Trade receivables	Other receivables
Past due 1-30 days	1.496.678	--
Past due 1-2 months	844.104	--
Past due 3-6 months	558.124	--
More than 6 months	331.508	--

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 31 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (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.

As at 31 December 2018, 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 declared 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 31 December 2018, the Company has guaranteed its overdue receivables by DBS guarantees amounting to TL 5.896.642 (31 December 2017: 1.854.257) and Eximbank guarantee amounting to TL 962.812 (31 December 2017: TL 706.888).

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for other customers as at 31 December 2018:

	Weighted - average loss rate %	Gross carrying amount	Loss allowance
Current (not past due)	0,19	114.073.687	220.354
1-60 days past due	0,14	6.914.186	9.673
61-90 days past due	0,31	453.209	1.419
91-120 days past due	0,50	113.043	565
151-180 days past due	1,00	2.855	28
		121.556.980	232.039

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 31 – RISK RANGE NATURAL AND LEVEL OF FINANCIAL INSTRUMENTS (CONTINUED)

Market Risk

Currency Risk

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

CURRENCY POSITION	31 December 2018			31 December 2017		
	TL	USD	Euro	TL	USD	Euro
1. Trade receivables	35.105.941	6.070.184	526.096	13.071.875	2.756.649	592.198
2 a. Monetary financial assets	29.724	5.650	--	4.944.372	986.928	270.574
2 b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	--	--	--	--	--	--
4. Current Assets (1+2+3)	35.135.665	6.075.834	526.096	18.016.247	3.743.577	862.772
5. Trade receivables	--	--	--	--	--	--
6 a. Monetary financial assets	--	--	--	--	--	--
6 b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. Non-Current Assets (5+6+7)	--	--	--	--	--	--
9. Total Assets (4+9)	35.135.665	6.075.834	526.096	18.016.247	3.743.577	862.772
10. Trade payables	39.263.089	4.820.073	2.306.763	28.136.983	6.190.761	1.059.916
11. Financial liabilities	--	--	--	--	--	--
12 a. Monetary financial liabilities	351.904	66.716	152	9.144.665	2.405.572	15.743
12 b. Non-monetary financial liabilities	--	--	--	--	--	--
13. Short Term Liabilities (10+11+12)	39.614.993	4.886.789	2.306.915	37.281.648	8.596.333	1.075.659
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	--	--	--	--	--	--
16 a. Monetary financial liabilities	--	--	--	--	--	--
16 b. Non-monetary financial liabilities	--	--	--	--	--	--
17. Long Term Liabilities (14+15+16)	--	--	--	--	--	--
18. Total Liabilities (13+17)	39.614.993	4.886.789	2.306.915	37.281.648	8.596.333	1.075.659
19. Off-Balance sheet financial derivative net asset (liability) position (19a-19b)	13.143.940	1.648.037	742.167	22.831.912	5.923.910	107.965
19 a. Off-balance sheet foreign currency derivative assets	13.143.940	1.648.037	742.167	22.831.912	5.923.910	107.965
19 b. Off-balance sheet foreign currency derivative liabilities	--	--	--	--	--	--
20. Net foreign currency asset (liability) position (9-18+19)	8.664.612	2.837.082	(1.038.652)	3.566.511	1.071.154	(104.922)
21. Monetary items net foreign currency asset (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	(4.479.328)	1.189.045	(1.780.819)	(19.265.401)	(4.852.756)	(212.887)
22. Total fair value of financial instruments used for currency swap	(1.623.295)	(261.700)	(41.157)	(443.449)	(116.409)	(967)
23. Hedged amount of foreign denominated assets	--	--	--	--	--	--
24. Hedged amount of foreign denominated liabilities	--	--	--	--	--	--

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 31 – RISK RANGE NATURAL AND LEVEL OF FINANCIAL INSTRUMENTS (CONTINUED)

Market Risk (Continued)

Currency Risk (Continued)

Sensitivity analysis

The Company is exposed to foreign currency risk due to TL, Euro and USD exchange rate fluctuations.

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies, both short-term and long-term purchase contracts. The analysis excludes net foreign currency investments.

As at 31 December 2018 and 2017 currency sensitivity analysis is as follows;

CURRENCY SENSITIVITY ANALYSIS	31 December 2018		31 December 2017	
	Profit / (Loss)		Kar / (Zarar)	
	Appreciation of foreign currency	Appreciation of foreign currency	Appreciation of foreign currency	Appreciation of foreign currency
Assumption of devaluation/appreciation by 10 % of USD against TL				
1- Net USD asset/(liability)	1.492.561	(1.492.561)	404.029	(404.029)
2- Part of hedged from US Dollar risk (-)	--	--	--	--
3- Net US Dollar effect (1+2)	1.492.561	(1.492.561)	404.029	(404.029)
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net Euro asset/(liability)	(626.100)	626.100	(47.378)	47.378
5- Part of hedged from Euro risk (-)	--	--	--	--
6- Net EUR effect (4+5)	(626.100)	626.100	(47.378)	47.378
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/(liability)	-	-	-	-
8- Part of hedged from other currency (-)	-	-	-	-
9- Net other currency effect (7+8)	-	-	-	-
Total (3+6+9)	866.461	(866.461)	356.651	(356.651)

For the years ended 31 December, total import and export of the Company comprised the following:

	31 December 2018	31 December 2017
Total exports	112.342.880	81.134.539
Total imports	149.863.556	82.070.435

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 31 – RISK RANGE NATURAL AND LEVEL OF FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The below tables show the monetary liabilities of the Company according to their remaining maturities as at 31 December 2018 and 2017:

Maturity per agreements	Carrying amount	Total contractual cash outflows	0-3 Months	3-12 Months
Non-derivative financial liabilities				
Financial liabilities	56.910.044	56.910.044	56.910.044	--
Trade payables	84.340.723	84.340.723	84.340.723	--
Employee benefit obligations	22.264	22.264	22.264	--
Other short term liabilities	4.713.791	4.713.791	4.713.791	--
Derivative financial liabilities	1.623.295	1.623.295	--	1.623.295
Employee benefit obligations	653.863	653.863	653.863	--

Şirket'in 31 Aralık 2016 tarihi itibarıyla tahmini faiz ödemeleri dahil olmak üzere finansal yükümlülüklerin ödeme planına göre belirlenmiş vadeleri aşağıdaki gibidir:

Maturity per agreements	Carrying amount	Total contractual cash outflows	0-3 Months	3-12 Months
Non-derivative financial liabilities				
Financial liabilities	49.866.593	49.866.593	49.866.593	--
Trade payables	68.177.892	68.177.892	68.177.892	--
Other payables	36.079	36.079	36.079	--
Employee benefit obligations	5.550.382	5.550.382	5.550.382	--
Other short term liabilities	443.449	443.449	--	443.449
Derivative financial liabilities	653.623	653.623	653.623	--
Other liabilities	49.866.593	49.866.593	49.866.593	--

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 32 – FINANCIAL INSTRUMENTS (EXHIBITION EVALUATIONS AND EXPLANATIONS ON ACCOUNTING ACCOUNTING FOR FINANCIAL RISK)

Interest rate risk

The interest structure of the financial items of the Company with interest component as of the report date is as follows:

	31 December 2018	31 December 2017
Fixed rate items		
Financial liabilities	56.910.044	49.866.593

Fair value

The company has determined the estimated fair values of the financial instruments by using current market information and appropriate valuation methods. Fair values of financial assets and liabilities are estimated to approximate their carrying values since they have short term maturities.

31 December 2018 Financial assets	Financial assets measured at amortized cost	FVTPL Derivative financial instruments	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Cash and cash equivalents	23.344.895	--	--	23.344.895	23.344.895
Trade receivables from third parties	120.944.490	--	--	120.944.490	120.944.490
Trade receivables from related parties	612.490	--	--	612.490	612.490
Other receivables from third parties	6.063	--	--	6.063	6.063
Financial liabilities					
Financial liabilities	--	--	56.910.044	56.910.044	56.910.044
Trade payables to third parties	--	--	82.098.539	82.098.539	82.098.539
Trade payables to related parties	--	--	2.242.184	2.242.184	2.242.184
Other payables to third parties	--	--	22.264	22.264	22.264
Derivative financial liabilities	--	1.623.295	--	1.623.295	1.623.295

31 December 2017 Financial assets	Financial assets measured at amortized cost	FVTPL Derivative financial instruments	Financial liabilities measured at amortized cost	Carrying amount	Fair value
Cash and cash equivalents	22.054.849	--	--	22.054.849	22.054.849
Trade receivables from third parties	122.527.406	--	--	122.527.406	122.527.406
Trade receivables from related parties	2.151.391	--	--	2.151.391	2.151.391
Other receivables from third parties	27.242	--	--	27.242	27.242
Financial liabilities					
Financial liabilities	--	--	49.866.593	49.866.593	49.866.593
Trade payables to third parties	--	--	67.279.509	67.279.509	67.279.509
Trade payables to related parties	--	--	898.383	898.383	898.383
Other payables to third parties	--	--	36.079	36.079	36.079
Derivative financial liabilities	--	443.449	--	443.449	443.449

Izocam Ticaret ve Sanayi Anonim Sirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2018

(All amounts are expressed in TL.)

NOTE 32 – FINANCIAL INSTRUMENTS (EXHIBITION EVALUATIONS AND EXPLANATIONS ON ACCOUNTING ACCOUNTING FOR FINANCIAL RISK)

Fair value disclosures

The company has determined the estimated fair values of the financial instruments by using current market information and appropriate valuation methods.

Fair values of financial assets and liabilities are estimated to approximate their carrying values since they have short term maturities.

Determination of Fair Values

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Specific (uncorrected) prices in active markets for identical assets and obligations;

Level 2: Directly (via prices) or indirectly (via producing from prices) variables which are observable for assets and liabilities and apart from specific prices mentioned in Level 1.

Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

NOTE 33 – EVENTS AFTER THE BALANCE SHEET DATE

As a result of the mediation process which resulted in a disagreement in the collective bargaining agreements with the Kristal-İş Trade Union, it was decided to go on strike in Tarsus and Dilovası facilities and the strike started on 18 January 2019. The strike ended on 29 January 2019 with the agreement of Kristal-İş Union and the Company.

NOTE 34 – OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR MAKE THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None.

Adress and Telephones

You can access our free
consumer hotline from
0800 211 43 86

MAIN OFFICE

Altayçeşme Mah. Çamlı Sok. No: 21 Kat: 4-5

Maltepe - İstanbul

Tel : 0216 440 40 50

Faks : 0216 440 40 70

PRODUCTION PLANTS

Dilovasi Stonewool Production Plant

Dilovası Organize Sanayi Bölgesi 1. Kısım Dicle Cad. No: 8

41455 Dilovası - Kocaeli

Tel : 0262 754 63 91 / 5 lines

0262 754 81 65 / 6 lines

Faks : 0262 754 51 57

Dilovasi Gebkim Production Plants

Gebze V (Kimya) Organize Sanayi Bölgesi Çerkeşli Köyü Yolu

Üzeri Kocabayır Tepe Mevkii Kiplasma Cad. No: 1 Dilovası -

Kocaeli

Tel : 0262 754 63 80

Faks : 0262 754 66 87

Tarsus Glaswool And Foamboard Production Plants

Şahin Mah. Sait Polat Bul. No: 376A

33401 Tarsus - Mersin

Tel : 0324 616 25 80 / 8 lines

Faks : 0324 616 25 90

0324 616 25 92 (Purchasing)

Eskişehir Rubber And Polyethylene Production Plants

75. Yıl Mah. Organize San. Bölgesi Şehitler Bul. No: 17

26110 Odunpazarı - Eskişehir

Tel : 0222 236 14 80

Faks : 0222 236 14 79

REGIONAL SALES DIRECTORATES**İstanbul Regional Directorate**

Altayçeşme Mah. Çamlı Sok. No: 21 Kat: 4
Maltepe - İstanbul
Tel : 0216 440 40 50
Faks : 0216 415 16 30

Ankara Regional Directorate

Ceyhun Atuf Kansu Cad. No: 114 Bayraktar Center E Blok
No: 4, 06520 Balgat - Ankara
Tel : 0312 473 01 31
Faks : 0312 472 00 34

Adana Regional Directorate

Cemalpaşa Mah. Atatürk Cad. Ethem Ekin Sok. Gökçe
Rezidans No: 66 Kat: 1 D: 4, 01120 Seyhan - Adana
Tel : 0322 453 24 34
Faks : 0322 453 24 41

İzmir Regional Directorate

Şair Eşref Bul. Ragıp Şamlı İş Hanı No: 6 Kat: 6 - 605
35230 Çankaya - İzmir
Tel : 0232 484 57 85
0232 484 31 78
Faks : 0232 489 00 52

Bursa Regional Directorate

Kükürtlü Cad. No: 67 Tan İş Merkezi B-Blok D: 7
16080 Osmangazi - Bursa
Tel : 0224 253 95 35
Faks : 0224 255 60 13

Antalya Office

Anafartalar Cad. No:14 Kat:1
Daire: 4 Cennet Apt.
07040 Antalya
Tel : 0242 241 19 50
Faks : 0242 242 39 84

Diyarbakır Office

Ekinciler Cad. AZC Plaza Kat: 7 Daire: 31
21100 Ulus - Diyarbakır
Tel : 0412 229 00 96
Faks : 0412 229 06 79

Erzurum Office

Dere Mah. Saray Bosna Cad.
Yekeler Ofis Plaza Kat: 4 No: 25
Yakutiye - Erzurum
Tel : 0442 214 13 72 - 73
Faks : 0442 214 13 74

Principles of Action and Conduct

We are the leading company in its sector with 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

Contents

BRIEFLY IZOCAM

- 2 Izocam At A Glance
- 4 Capital and Shareholding Structure
- 6 Basic Indicators
- 8 Historical Development of Izocam
- 10 Our Vision, Mission and Values
- 11 Achievements and Awards

ASSESSMENTS

- 12 Letter from the Chairman
- 14 Message from the General Director

PERFORMANCE IN 2018

- 16 Industrial Improvements
- 18 Production and Products
- 28 Sales and Profitability

SUSTAINABILITY

- 30 Strategies and Investments
- 32 Humans, R&D and Environment
- 34 Human Resources
- 36 Quality Management Systems

REPORTS AND FINANCIAL INFORMATION

- 62 Statement of Compliance with Corporate governance Principles and Compliance Report
- 63 Corporate governance Committee
- 64 Auditor's Report Related to the Early Risk Assessment System and Committee
- 65 Riskin Erken Saptanması Sistemi ve Komitesi Hakkında
- 66 Important Events Occurred After the Closing of the Reporting period
- 67 Subsidiary Company Report of the year 2018

GENERAL ASSEMBLY

- 68 54th General Assembly Meeting
- 69 Tangible Assets
- 69 Profit Sharing Policy and Proposal of Profit Sharing Proposal
- 73 Responsibility Statement Related to Acceptance of Financial Tables
- 74 Independent Audit Report Related to the Operating Report

FINANCIAL INDICATORS

- 76 Independent Audit Report Related to Annual Financial Results
- 88 Financial Statements and Footnotes

ACTIVITY REPORT OF IZOCAM TICARET VE SANAYİ ANONİM ŞİRKETİ PRESENTED TO THE 54TH GENERAL ASSEMBLY OF SHAREHOLDERS HELD ON 22nd MARCH 2019, FRIDAY AT 10:00 AM.

IZOCAM TICARET VE SANAYİ ANONİM ŞİRKETİ

Istanbul Trade Registry	: 90639
Mersis No: (Central Registry System)	: 0484002307900018
Web Address	: www.izocam.com.tr
E-Mail	: izoposta@izocam.com.tr
Registered Capital Ceiling	: 60.000.000,- (Sixty Million Turkish Lira)
Issued Capital	: 24.534.143,35,- TL. (Twenty four million five hundred thirty four thousand one hundred fourty three Turkish Lira thirty five Turkish Kuruş)

