İZOCAM®

TİCARET VE SANAYİ A.Ş.

49TH ORDINARY GENERAL ASSEMBLY MEETING

2013

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

İstanbul Trade Registry No	: 90639
Mersis (Central Registry System)	: 0484002307900018
Web Address	: www.izocam.com.tr
E-mail	: izoposta@izocam.com.tr
Registered Capital	: 60.000.000, - (Sixty Million Turkish Lira)
Issued Capital	: 24.534.143,35 TL (Twentyfour million five hundred thirtyfourthousand one hundred fourtythree Turkish Lira thirtyfive Turkish Kuruş)

THE ANNUAL REPORT OF 49TH ORDINARY GENERAL ASSEMBLY MEETING
HELD ON 21TH MARCH 2014 AT 10:00 HOURS IN SERMAYE PİYASASI LİSANSLAMA,
SİCİL VE EĞİTİM KURULUŞU IN İSTANBUL, TÜRKİYE

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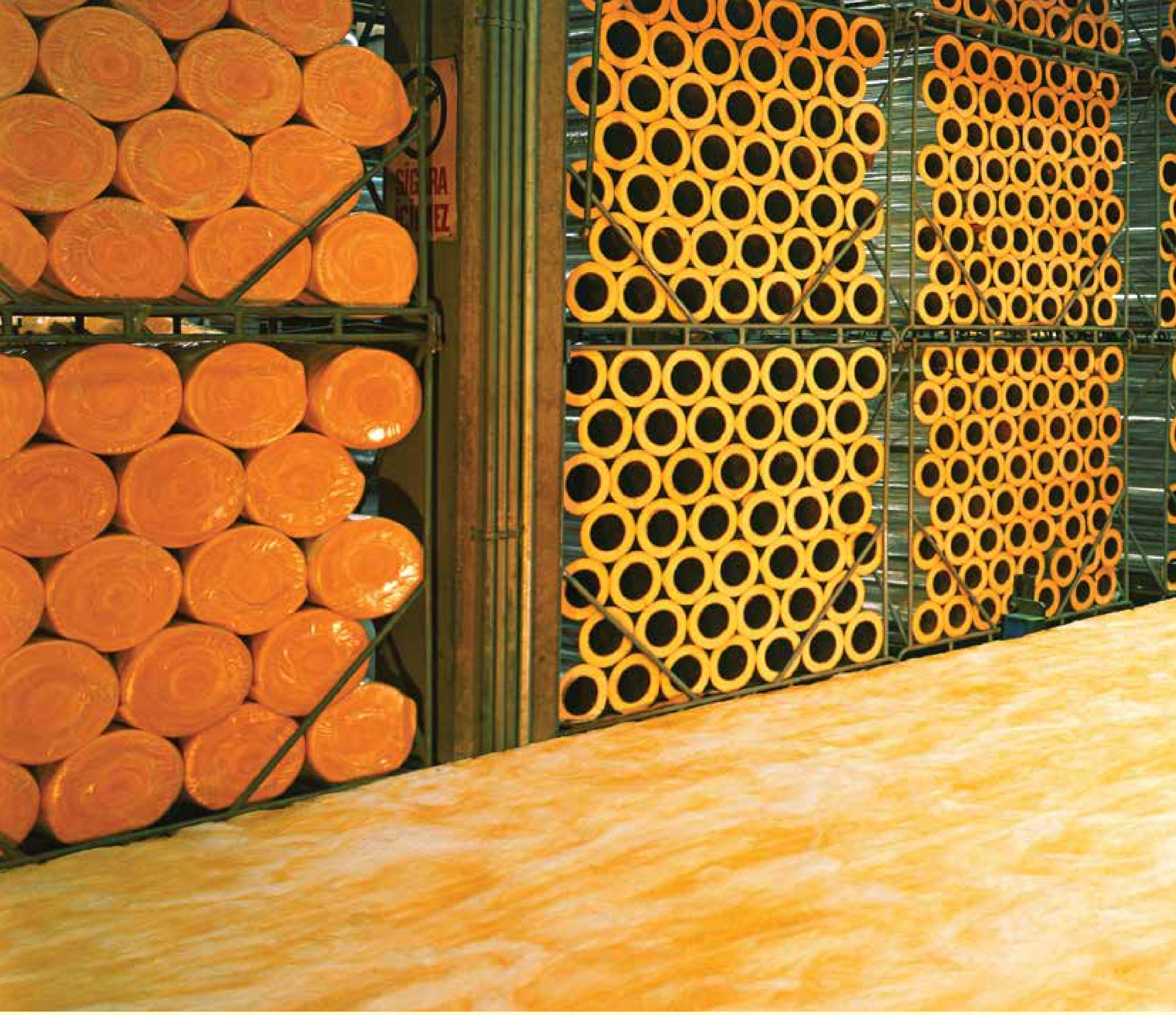

AGENDA

1. Opening ceremony and election of the Presidential Board,
2. Disclosure and discussion of the Board of Directors Report,
3. Disclosure and discussion of the Independent Audit Report of Akis Bagımsız Denetim ve Serbest Muhasebeci Mali Müsavirlik AS (KPMG).
4. Disclosure and approval of Financial Statement.
5. Approval of the changes made to the Board of Directors membership in accordance with the Turkish Commercial Code,
6. Seperately releasing of the members of the Board of Directors and auditors pertaining to their activities in the reporting year 2013,
7. Informing and approval of the shareholders about dividend distribution policy in accordance with the Corporate Governance Principles.
8. Approval, approval upon amendment or disapproval of the distribution of the dividends out of the profit of 2013 reporting year and of the proposed date for dividend distribution,
9. Discussing and deciding on authorizing the Board of Directors for giving profit share advance, in frame

of provisions of the Articles of Association, Turkish Commercial Code, Capital Market Law and related legislation.

10. Determination of the total number of Board Members, the election of the Independent Board Members who are determined by Corporate Governance Committee together with the selection amendments of other Board Members and determination of their duty periods of Board Members.
11. Determination of remuneration to be paid to the Chairman and Board members,
12. Approval of Independent Audit Company selected by the Board of Directors,
13. Informing the shareholders about the principles of remuneration of senior managers.
14. Informing and approval of the Shareholders about the donations and grants to the associations and foundations by the Company for social aid purposes in the year 2013 and determining an upper limit for the grants to take place in 2014 under the Capital Market Board.
15. Authorization of the Board members as per Articles 395 and 396 of the Turkish Commercial Code in order to enable them to perform activities that fall within the scope of the Company's business on their behalf or on behalf of third parties and to become shareholders to companies which perform such activities
16. Sign off the minutes of the General Assembly meeting by the Presidential Board.
17. Wishes.

BOARD OF DIRECTORS

GIANNI SCOTTI • Chairman of the Board

SAMIR KASEM
Vice Chairman of the Board

ARNAUD J. GÈRARD MOISSET
Member

ROBERT ETMAN
Member

ARİF NURİ BULUT
Member - General Manager

GÜLSÜM AZERİ
Member

POL ZAZADZE
Member

CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

1. *As a part of our independent audit procedures, we have evaluated whether the financial information, discussions and explanations of the Board of Directors included in İzocam Sanayi ve Ticaret Anonim Şirketi ("the Company")'s Annual Report as at 31 December 2013 are consistent with the audited financial statements as of the same date.*

2. *Management is responsible for the preparation of such annual report in accordance with the "Legislation on Determination of Minimum Content Requirements For Companies' Annual Reports".*

3. *Our responsibility, as independent auditors' of the Company, is to express an opinion on whether the financial information included in the Annual Report is consistent with the audited financial statements in the Independent Auditors' report dated 17 February 2014.*

   Our evaluation is based on the principles for the preparation and publication of annual reports as promulgated by "Turkish Commercial Code numbered 6102". These principles require us to plan and perform procedures to obtain reasonable assurance on whether there is a material misstatement on the consistency of the financial information included in the Annual Report with the audited financial statements and any supporting information obtained by independent auditor during the audit.

   We believe that our evaluations are sufficient and appropriate to provide a basis for our opinion.

4. *In our opinion, the financial information, discussions and explanations by the Board of Directors included in the accompanying Annual Report are consistent with the audited financial statements of İzocam Sanayi ve Ticaret Anonim Şirketi as at 31 December 2013.*

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakkı Özgür Sıvacı

Partner, CPA

PRESENTED TO THE 49TH ORDINARY GENERAL ASSEMBLY OF IZOCAM TICARET VE SANAYI A.S. HELD ON 21TH MARCH 2014

ANNUAL ACTIVITY REPORT OF THE BOARD OF DIRECTORS

Esteemed Shareholders,

Welcome to our Ordinary General Assembly which is held to review and finalize 2013 activity results of our Company. We would like to thank you for the attention you have shown and greet you respectfully.

We would like to give information regarding the operations of the company in 2013 review the activity results and to submit them to your approval in the 49th Shareholders General Assembly of Izocam.

AMENDMENTS ON THE ARTICLES OF ASSOCIATION

The Ordinary General Assembly Convened On 25th March 2013 and unanimously resolved as follows: "Article 7- Capital", "Article 9 - Increasing And Decreasing The Capital, Capital Increase Within The Registered Capital Ceiling, Preferental Subscription" "Article 10- Re-Determination Of The Registered Capital Amount" "Article 13 Provisions Related With The Board Of Directors" "Article 14-Board Meetings" "Article 15- Company Management and Representation" "Article 16- Auditors" "Article 17- Duties And Obligations Of Auditors" "Article 18- General Assembly Meetings" "Article 19- Venue Of Meeting" "Article 20- Quorum" "Article 21- Representative Of The Ministry" "Article 22- Number Of Votes" "Article 23- Representation By Proxy" "Article 24- Voting Method" "Article 25- Announcements" "Article 26 - Amendment Of Articles Of Association" "Article 27 - Issuing Of Bonds And Other Securities" "Article 28- Documents To Be Submitted To The Ministry" "Article 30 – Profit Distribution" "Article 30/A- Other Payments" included "Article 32 - Termination And Dissolution" in The Articles Of Association was Amended; as well as the removal of articles "31 - Reserve Fund And Article" and "33- Arbitration And Jurisdiction". These amendments were registered in Istanbul Trade Registry Office on 04.04.213 and announced in Turkish Trade Registry Gazette on 10th April 2013 (Pages 915 and 916).

CAPITAL

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

Within 2013, Izocam stock has resembled a parallel performance versus BIST 100 (Istanbul Stock Exchange).

Dividend amounts distributed within the last three years are as follows:

116,95 % *over the paid capital in 2011*

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

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

PARTNERSHIP ACTIVITY WITHIN THE SECTOR

Our Company has reserved its distinguished position within the insulation industry sector activity in Turkey where it acts as a leader since its establishment and contributes to insulation sector with the new products it has added to its range of production.

Stone wool and Glass wool which are called as mineral wool constitute important part of the total sales of the Company production subject of our Company and glass wool is produced in Tarsus and stone wool is produced in Dilovası Organized Industrial Zone have a very wide usage as heat and insulation materials in industrial and agricultural plants, energy investments and residence sector by manufacturing in miscellaneous types and kinds.

Other product groups manufactured by the Company are the expanded and extruded polystyrene produced in Gebkim-Dilovası Organized Industrial Zone and in our Tarsus plant. These products are widely used on specially wet and cold type insulation applications.

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

Elastomeric rubbers and polyethylene which manufacture in our plant in Eskişehir Organized Industrial Zone are mainly used in insulation of pipes, tanks and similar cold type installation.

You can examine "Wage Policy for Board Members and Top Executives" principles together with the information about Board Members worked in 2013 and all kind of rights, interest and wages extended to Board Members and top executives and criteria used to determine them and wage system principles from "Our Conformance Report for Corporate Management Principles" enclosed to this report and information about payments to such persons in the footnote no.4.6 of financial tables.

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

INVESTMENTS

Various capacity, productivity and quality increasing investments have been performed in the reporting year.

Board of Directors decreed with its decision dated 11 August 2010 and numbered 658 that the stone wool oven in Dilovası is about to complete its technical life and that a series of investments should be made in 2011, 2012 and 2013 by taking into consideration the demand of market.

The construction of Extruded Polystyrene, Expanded Polystyrene and Tekiz Panel factories have been initiated respectively on the land having a surface area of 86.065,08 m2 which is purchased within Gebkim Organized Industrial Zone in 2010. Extruded Polystyrene building has been completed and new machines have been mounted and commercial goods production has been initiated in June 2011. One of the two current extruded polystyrene production lines in Dilovası has been transferred to its new building constructed on the current land in Tarsus and has been put into use in November 2011 while the second line has been transferred to the building constructed in Gebkim Organized Industrial Zone and has been put into use in January 2012. Upon the completion of these investments, the extruded polystyrene production capacity has been increased up to 720.000 m3/year.

The Stone wool furnace which is located in Kocaeli / Dilovası and has a production capacity of 50 thousand tons/year was put out on 1st June 2012 and started to be demolished as it completed its technical lifespan. The new furnace with a production capacity of 75 thousand tons/year and its equipments started to be used for goods production after completing trial productions on 21 June 2012.

The expanded polystyrene production facility located in Dilovası was dismantled and taken to its new building which is located in Gebkim Organized Industrial Site. Installation works of the new block machine and line equipments were completed. Goods started to be produced as of 26th December 2012. With these additional investments, the production capacity of this facility was increased to 6000 tons/year level.

The Tekiz Panel Plant was completed within June of 2013 and started to produce to commodities with new machinery and equipments at new building in Gebkim Organized Industrial Zone. Upon completion of the investment, production capacity of this plant reached to 4 million m^2.

With such investments completed as from end of 2013, the production capacity of our company reached to levels to respond future demand increase in the market.

TANGIBLE ASSETS

It was resolved to authorize the Board of Directors during Extraordinary General Assembly meeting convened on 30 September 2013 in order to fulfill all procedures for sales of property consisting of masonry plant and three outbuildings having surface are of 20.897 m² at Istanbul province, Ümraniye district, Y.Dudullu street 2nd Region Village, Eriklipınar Açmalar Street (Dudullu Organized Industrial Zone), section no.30/Parcel No: 6433 registered in assets of company and the Board of Directors appointed the company management about sales of the said property. On 16 January 2014, it was completed the sales procedure of this property in exchange of USD 21,1 million and transferred the title deed and collected the sales price in advance.

Values of our tangible assets as of the end of the year are provided below in comparison with the values of the previous year.

(Calculated According to the Notifications of Capital Market Board)

TL	31 December 2013	31 December 2012
Cost		
Lands and parcels	6.004.308	6.241.411
Land Improvements	4.470.650	4.627.353
Buildings	55.022.693	59.768.672
Plants, Machinery and Equipments	196.109.202	194.060.888
Fixtures, Special Costs	7.909.955	7.244.171
Construction in Progress	1.470.697	2.809.129
Advances Given		
	270.987.505	**274.751.624**
Accumulated Depreciation		
Land Improvements	3.002.978	2.968.346
Buildings	18.416.725	21.892.222
Plants, Machinery and Equipment	150.743.225	152.503.556
Fixtures, special costs	6.008.179	6.470.553
	178.171.107	**183.834.677**
Net book value	**92.816.398**	**90.916.947**

ISSUED SECURITIES

We do not have any issued securities.

FINANCIAL ASSETS

(Calculated According to the Notifications of Capital Market Board)

We do not have any financial asset.

PRODUCTION MOVEMENTS

2013 production amounts and capacity use rates in respect of goods are as follows:

(In comparison with 2012)	CAPACITY USE RATE (%)		PRODUCTION	
	2013	2012	2013	2012
Mineral Wools (Ton)	69	74	92.129	82.746
Panel products (000 m^2)	62	79	1.243	1.783
Plastics (m^3)	59	61	586.642	630.437

The Turkish economy which showed negative growth at Gross National Product (GNP) by force of the global crisis in 2009, had showed higher growth than developing countries and also the remaining countries of the world at 2010-2012 period after 2009. This positive growth also continued at first 9 month-period of 2013.

However, it was started to observe globally deceleration marks of the growth in the expectation that the Federal Reserve Bank would stop the monetary development at second part of 2013. In return, the Turkish economy showed 4 % growth at Gross National Product (GNP) in first 9 months of 2013. The construction sector also continued to lead to this growth in 2013 and it was an engine of the economical growth of 8.7 % at third quarter. The growth ratio realized as 7,4 % in the first 9 month-period of 2013 at the construction sector. When it was examined in detail the statistics of the residence sales and the building permits, it was seen that the value of building permits as square meter reached with 120 million square meter to the highest value of the last 10 years in the first 9 month period of 2013.

In 2013, the residence sales affirmed also such growth in the construction sector. Sales of 862, 154 residences in only first 9 months was registered as the highest yearly residence sales of the country history. Consequently, In 2013, the strong interior demand and public expenditures was basic source of the growth at GNP. Also, the construction sector became prominent as one of sectors providing the highest contribution. However, in last quarter of the year, devaluation of Turkish Lira against US$ and EURO, in spite of we would close 2013 with higher growth, the raising interests and the regression in confidence index revealed new risks for growth of 2014.

Izocam realized a revenue growth of 7 % and 2 % in domestic and international markets, respectively in this general outlook of 2013. The growth in interior market showed parallelism with growth at GNP. In return, growth in the international market sales was limited to 2 % due to problems in the export markets and the general global economical outlook.

The company has realized the targets largely determined by the management of the company in spite of all past negations and press created due to increased competition conditions.

Amounts related to the product sales included in our area of activity are provided below as compared to the amounts of 2012.

NET SALES

(Calculated According to the Notifications of Capital Market Board)

(TL)	2013	2012
Domestic	298.784.056	278.238.445
Export	59.960.208	58.908.369
Other	610.469	399.039
Total Gross Sales	**359.354.733**	**337.545.853**
Discount and Returns	-20.238.377	-19.253.368
Net Sales	**339.116.356**	**318.292.485**

YIELD AND PRODUCTIVITY

Based on completion of new capacity increase investments and starting to production, it is observed a decrease on our capacity usage ratios at mineral wools and Tekiz Panel products. In parallel with increase and decrease on labor force hours used, the productivity ratios are varied.

Details about our yield coefficients are given below.

YIELD COEFFICIENTS (%)		
	2013	2012
Mineral Wools	90	91
Panel	80	87
Plastics	89	90

DETAILS OF FINANCIAL STRUCTURE

Our balance sheet dated 31.12.2013 and statements about balance items prepared by our external auditing company in accordance with the Notifications of the Capital Market Board are submitted for your information in ANNEX-1. Similarly, our income statement is also submitted for your analysis in ANNEX-2 together with the comments.

In 2013, a need for short-term loan occurred due to the effects of cash outflows which were caused by three-year-long investments. The funds created by our company within the year were allocated to investments, operating capital increases, tax payments, dividend payments and the repayments of short-term loans (Statement of Changes in Equity and Cash Flow Statement are given in Annex - 3 and Annex - 4 respectively).

OTHER SUBJECTS

Our Company produces GLASS WOOL with the TEL process as of 1967 as the licensed company of Saint Gobain ISOVER (FRANCE); produces STONE WOOL with the SILLAN process as of 1993 as the licensed company of Saint Gobain ISOVER G+H (GERMANY); the EXTRUDED POLYSTYRENE facility, active since 1995, on the other hand, produces FOAMBOARD with the HYDROVAC process and the license of OWENS CORNING (AMERICA).

The ARMACELL GmbH (GERMANY) license has been obtained for ELASTOMERIC RUBBERS whose production was initiated in 2000.

Our Company is, at the same time, a member of "EURIMA" European Insulation Manufacturers Association and "Panama International Sandwich Panel Manufacturers Association.

Our production is under continuous observation in the laboratories of our facilities; the results of these determinations are evaluated and necessary improvements are applied.

Our products are manufactured in our facilities carrying the Quality System, Environment System and Occupational Safety and Health System Certificates in line with the ISO 9001, ISO 14001 and OHSAS 18001 standards.

The Company has obtained the "CE" Conformity Certificates, which are made obligatory for insulation products in the European Union as of May 2003, for glass wool and stone wool products on 11 April 2003 and has obtained the right of free movement for its products in the European Union member countries. In 2007, EPS products were certified and the branding right has been obtained.

The conversion from HCFC gas, whose utilization will be banned in the near future, to HFC gas, which is environmentalist in the production of Foam board was successfully completed in 2008 and our Foam board product CE Certification works were completed within 2009.

Our stone wool and glass wool products have been entitled to receive EUCEB Certificate by passing the tests successfully in 2008 and 2009 respectively.

Our stone wool products of various volumes have also obtained certificates (of non-flammability) and have been started to be used in ship building.

Our Company has made a total contribution of 10.155,03TL in 2013 to foundations and similar social institutions.

The Competition Authority gave an administrative fine of 1.317.714,-TL to our Company due to the implementations contrary to the Law numbered 4054 and the justified decision regarding this decree was notified to the Company on 4 June 2010. The Company paid this fine at an amount of 988.286,-TL with a discount of twenty five per cent on 28 June 2010 by using its legal rights and a case was filed to the State Council on 19 August 2010 upon the demand to annual the mentioned decision and terminate its execution. There has not been any development about the case yet.

As per the policies of the Company, the total amount of guarantees given is 12.901.417,-TL (31 December 2012: 15.191.195,- TL) and these guarantees generally consist of letters of guarantee and notes submitted to customs houses, domestic suppliers, banks and tax offices.

ADMINISTRATIVE ACTIVITIES

The Board Members elected during the General Assembly Meeting convened on 25 March 2013 has met on 26 March 2013 and done task sharing. For the audit committee membership, it has been appointed Ms. Gülsüm Azeri and Mr. Pol Zazadze (President) who were independent board members, for the Corporate Management Committee membership, it has been appointed Mr. Pol Zazadze (President) who was independent board member and Mr. Arnaud Jacques Gerard Moisset and William Mark Schmitz who are non-independent board members. In consideration of current structure of the Board of Directors, it has been resolved to fulfill duties of Nomination Committee, Risk Early Determination Committee and Wage Committee by Corporate Management Committee. Working principles of the committees have been published on website pages of the company.

The Committee responsible for the Audit has convened seven times within the year, examined the periodical finance reports of the company during four of meetings and reported to the Board of Directors.

The Corporate Management Committee has requested to start a work for taking out business maps about the operational activities, determining the risks of process and completing the control activities in order to provide integration of the risk management and interior control systems to the corporate structure of the company and to manage possible risks effectively. Upon request of the committee, as firstly basic processes, the effective processes on the company operations have been determined within the company, risk-control matrix has been created for such processes. The completed processes are shared with the Corporate Management Committee.

The Board of Directors has formed the Risk Early Determination Committee and appointed an Interior Audit Specialist in order to minimize the risks effects about stakeholders and to keep efficiency of interior audit systems within operational activities and information systems process. Information on works done by the Risk Early Determination Committee in 2013 is in "the "Compliance Report for Corporate Management Principles".

The General Assembly of the Company has convened twice within the year as ordinary and extraordinary, the detailed information of these meetings is in "the Compliance Report for Corporate Management Principles".

The Board of Directors has convened three times within the year, all members have attended to the said meetings.

It has been presented information on tasks outside company of Board members and independency statements, members of committees formed within the Board of Directors, meeting frequencies, continuing activities, information on working principles and efficiencies in "the Compliance Report for Corporate Management Principles" for your opinion.

There is no any change on legislation related to the activity field of our company which may impress our activities importantly within the year.

In Section IV – Stakeholders of "the Compliance Report for Corporate Management Principles" of our Activity Report, there is information on principles related to employees and our activities generating environmental results and our corporate social responsibilities.

Currently, our trade subjects operating with related parties are the purchasing of royalty services, purchasing of spare parts and sales of commodities reciprocally, as of 31 December 2013, volume of this trade, ratio of purchasing operations to cost of sold commodities is 0,9% (nine tenths percent) and ratio of selling operations to our sales is 0,3% (three tenths percent) and there is detailed information at footnotes (note.4) enclosed to the financial statements.

Our principles on common and continuous commercial operations with related parties;

- *The goods and services to be bought during the purchase operations should have the requested specifications; should provide the expected quality and performance; it should deserve the researched qualifications in consequence of election from minimum three suppliers synchronously including price and payment conditions in accordance with our purchase procedures.*
- *In consideration of price, volume, payment conditions and continuity of business on the sales operations; it should have minimum similar sales conditions or be advantageous.*

On condition that it is not gone out our principles above-mentioned, our Board of Directors has resolved to continue current commercial operations with the related parties.

On 19 June 2013, the Board of Directors has resolved to gather General Management of the Company in Kocaeli, Dilovası and Head Office in Istanbul/Dudullu under a single roof at a new office building to be rented in Anatolian side of Istanbul, to authorize the Management of the Company for performing all operations including registration and announcement of the new Head Office of the Company, as of 31 October 2013, new head office of the company has been registered as 'Altayçeşme Mahallesi Öz Sokak No.19 Kat:6, 34843 Maltepe – Istanbul to the Trade Registry Office and the moving operation has been completed.

Our Company makes necessary works and arrangements to make the workers and representatives of the company to abide by the codes of conduct in their activities and to execute these rules.

Our managers who are still in charge are listed below.

NAME SURNAME	DUTY
ARİF NURİ BULUT	GENERAL MANAGER
HASAN BASRİ ERÖKTEM	ASSISTANT GENERAL MANAGER, FINANCE-ADMINISTRATION
FATİH ÖKTEM	ASSISTANT GENERAL MANAGER, MARKETING
NABİ AKPINAROĞLU	PRODUCTION DIRECTOR
DORUK ÖZCAN	CORPORATE ACCOUNTING MANAGER
ÖNER TORUN	BUDGET AND FINANCING MANAGER
NEJDET AVCI	INFORMATION SYSTEM MANAGER
EŞREF BİNGÖL	RESEARCH & DEVELOPMENT MANAGER
MUSTAFA SELÇUK	PRODUCTION PLANNING AND LOGISTIC MANAGER
HALİL SITKI ERGÜN	ENGINEERING MANAGER
KEMAL GANİ BAYRAKTAR	TECHNICAL MARKETING MANAGER
VUSLAT GÖKÇE	HUMAN RESOURCES AND INDUSTRIAL RELATIONS MANAGER
DEMİR AHMET DEMİRTAŞ	EXPORT MANAGER
MUSTAFA RÜŞTÜ UZ	1. DISTRICT SALES MANAGER
BÜLENT YILDIZ	2. DISTRICT SALES MANAGER
SERHAT SERKAN	3. DISTRICT SALES MANAGER
NİHAT KÖŞGER	4. DISTRICT SALES MANAGER
HAKAN ÖZŞANLI	5. DISTRICT SALES MANAGER
AHMET UYSAL	TEKIZ SALES MANAGER
FEZA MAHMUT HOKKACI	FACADE SYSTEMS SALES MANAGER

DİLOVASI STONE WOOL PRODUCTION FACILITY	
ÖMER MEHMET ARUN	OPERATING MANAGER (STONE WOOL)
OLCAY YULTAY	PRODUCTION MANAGER (STONE WOOL)
GÖKHAN SERİN	QUALITY ASSURANCE MANAGER

DİLOVASI GEBKİM STYROPOR AND FOAMBOARD PRODUCTION FACILITIES	
MEHMET BEZZAZOĞLU	OPERATING MANAGER (PLASTICS/ TEKIZ)
İLHAN KARAAĞAÇ	FOAMBOARD PRODUCTION MANAGER

DİLOVASI GEBKİM TEKİZ PANEL PRODUCTION FACILITY

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

TARSUS GLASS WOOL PRODUCTION AND FOAMBOARD FACILITIES

KORAY MAHMUT TEMUÇİN	OPERATING MANAGER
TİMUR ARAS	ACCOUNTING AND ADM. AFFAIRS MANAGER
TEFİK YILDIZ	PRODUCTION MANAGER
RAMAZAN TOK	MAINTENANCE AND UTILITY SERVICES MANAGER
EVRİM YILDIZ	QUALITY ASSURANCE MANAGER

ESKISEHIR RUBBER AND POLYETHYLENE PRODUCTION FACILITY

SAİT TAŞÇI	PRODUCTION MANAGER

An increase of 146.083,-TL has occurred in our benefit obligation calculated according to the Notifications of Capital Market Board as of 31.12.2013 and this amount has been included to the long-term liabilities of our balance sheet.

Generally accepted salary supplements are made to the personnel and workers of our Company and there are no personnel in our company who are members of a union.

In 2013, no administrative sanction and punishment were imposed on the company and Board of Director. Besides, there is no important case opened against the company. Our Company does not have any substantial incompatibility with public or private institutions.

PROFIT DISTRIBUTION PROPOSAL AND CONCLUSION

According to communiqué of the Capital Market Board with no. II.14.1, as seen from financial statements and footnotes prepared as of 31.12.2013, we have TL 27.019.305,00 net period profit in our income statement and gained profit TL 23.798.178,36 in accordance with the legal records.

To distribute 30.211.025,07 TL cash dividends over our capital amount corresponding to 24.534.143,35 TL which was paid to the shareholders according to Turkish Trade Law, Capital Markets Law and company's Articles of Association; to distribute TL 9.633.326,48 part (TL 6.412.199,84 part according to CMB) of this dividend to be distributed from the nominal amounts of our extraordinary reserves available in our legal records and to distribute these amounts constituting the basis for profit distribution as follows:

(TL)	Profit Distribution According to Capital Markets Law	Profit Distribution According to Legal Records
1st tier legal reserves	--	--
Dividend	30.211.025,07	30.211.025,07
2nd tier legal reserves	3.220.479,77	3.220.479,77
Total	33.431.504,84	33.431.504,84
Sources of the distributed amounts		
Distributed from the profit of 2013	27.019.305,00	23.798.178,36
From extraordinary reserves	6.412.199,84	9.633.326,48
Total distributed amount	33.431.504,84	33.431.504,84

thereby to pay 1,2313869 TL gross=net cash dividends for the share certificates which are at the rate of 123,13869 % and have a nominal value of 1,00 TL to fully accountable institutions and limited taxpayer institution partners gaining profits through a workplace of permanent agency located in Turkey; to pay gross 1,2313869 TL and net 1,0466789 TL cash dividends for the share certificates which are at the rate of 123,13869 % gross and 104,66789 % net and have a nominal value of 1,00 TL to the other shareholders; to accept the profit distribution proposal anticipating the initiation of dividend distribution on March 27, 2014 and to submit this proposal to the General Assembly.
I would like to greet you all on behalf of the Board of Directors with the hope to attain successful results in the years to come as has been the case up to date and to thank all our employees and executives for their valuable efforts in achieving our corporate targets.

GIANNI SCOTTI
Chairman of the Board

SAMIR MAMDOUH KASEM
Vice Chairman of the Board

ARNAUD J. GÈRARD MOISSET
Member

ROBERT THEODOOR GIJSBERT ETMAN
Member

GÜLSÜM AZERİ
Member

POL ZAZADZE
Member

ARİF NURİ BULUT
Member - General Manager

HASAN BASRİ ERÖKTEM
Assistant General Manager,
FİnanceAdministration

ARİF NURİ BULUT
General Manager

FATİH ÖKTEM
Assistant General Manager, Marketing

Company's General Manager Arif Nuri Bulut started his work life in Izocam in 1981, has taken charge in various administrative levels, worked as Assistant General Manager (Technical) between 1996 and 2002 and was assigned as the General Manager on 01.04.2002.

Hasan Basri Eröktem, working as the Company's Assistant General Manager (Finance-Administration) started his work life in Izocam in 1977, has taken charge in various administrative levels and was assigned as the Assistant General Manager in 1993.

Fatih Öktem, working as the Company's Assistant General Manager (Marketing), started his work life in Izocam in 1986, has taken charge in various administrative levels and was assigned as the Assistant General Manager in 1997.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of İzocam Ticaret ve Sanayi Anonim Şirketi ("The Company") which comprise the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and the explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Turkish Accounting Standards ("TAS") published by Public Oversight, Accounting and Auditing Standards Authority ("KGK") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of İzocam Sanayi ve Ticaret Anonim Şirketi as at 31 December 2013 and its financial performance its cash flows for the year then ended in accordance with TAS (please see Note 2).

Responsibilities of Auditors are Report on Other Legal and Regulatory Requirements

In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the KGK, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 3 April 2013 and it is comprised of three members. The committee has met once since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

İstanbul, 17 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakkı Özgür Sıvacı

Partner

İstanbul, Türkiye

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

STATEMENT OF FINANCIAL POSITION AS AT YEAR ENDED 31 DECEMBER 2013

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

		Audited	
	Note	Current period 31 December 2013	Restated Prior Period 31 December 2012
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	6.737.578	4.581.135
Trade Receivables	7	88.287.231	83.494.507
Due From Related Parties	4	414.145	1.541.548
Other Trade Receivables		87.873.086	81.952.959
Inventories	9	23.230.162	22.392.199
Prepaid Expenses	17	276.965	3.539.346
Other Current Assets	18	1.587.066	1.296.719
Sub Total		**120.119.002**	**115.303.906**
Assets Held for Sale	10	1.995.421	--
Total Current Assets		**122.114.423**	**115.303.906**
Non-Current Assets			
Other Receivables	8	17.241	3.955
Property, Plant and Equipment	11	92.816.398	90.916.947
Intangible Assets	12	69.226	50.626
Other Intangible Assets		69.226	50.626
Other Non-Current Assets		13.896	873
Total Non-Current Assets		**92.916.761**	**90.972.401**
TOTAL ASSETS		**215.031.184**	**206.276.307**
LIABILITIES			
Short-Term Liabilities			
Short Term Borrowings	6	22.022.085	14.476.383
Trade Payables	7	28.118.522	28.686.900
Due To Related Parties	4	322.247	390.402
Other Trade Payables		27.796.275	28.296.498

STATEMENT OF FINANCIAL POSITION AS AT YEAR ENDED 31 DECEMBER 2013

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

		Audited	
	Note	**Current period 31 December 2013**	**Restated Prior Period 31 December 2012**
Payables for Employee Benefits	16	3.040.094	2.183.621
Other Payables	8	5.540	8.551
Other Payables		5.540	8.551
Income Tax Payable		1.800.812	1.920.949
Short Term Provisions		2.406.142	2.544.122
Provision For Employee Benefits	13	2.306.351	2.294.856
Other Short-Term Provisions	13	99.791	249.266
Other Short Term Liabilities	18	299.123	261.282
TOTAL SHORT TERM LIABILITIES		**57.692.318**	**50.081.808**
Long Term Liabilities			
Long Term Provisions	15	8.425.274	7.594.023
Provision For Employee Benefits		8.425.274	7.594.023
Deferred Tax Liabilities	27	633.355	322.128
TOTAL LONG TERM LIABILITIES		**9.058.629**	**7.916.151**
EQUITY			
Paid-in Capital	19	24.534.143	24.534.143
Adjustment on Capital	19	25.856.460	25.856.460
Share Premiums	19	1.092	1.092
Restricted Reserves	19	32.510.225	29.982.894
Other Comprehensive Income Not to be Reclassified to Profit or Loss Revaluation and Remeasurement Losses		(3.346.848)	(2.829.432)
Retained Earnings		41.705.860	44.991.406
Net Profit For The Period		27.019.305	25.741.785
		148.280.237	**148.278.348**
TOTAL LIABILITIES AND EQUİTY		**215.031.184**	**206.276.307**

(*)See note 2.2 for Restatement

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ
Altayçeşme Mah. Öz Sok. No:19 Kat: 3-5-6, Maltepe - İSTANBUL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS AT YEAR ENDED 31 DECEMBER 2013

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

		Audited	
		Current Period	**Restated Prior Period**
PROFIT OR LOSS	**Note**	**1 January - 31 December 2013**	**1 January - 31 December 2012(*)**
Revenues	20	339.116.356	318.292.484
Cost of Sales (-)	20	(256.270.142)	(239.176.487)
GROSS PROFIT		**82.846.214**	**79.115.997**
Administrative Expenses (-)	22	(12.494.661)	(10.479.631)
Marketing Expenses (-)	21	(38.264.784)	(36.524.102)
Other Operating Income	24	5.037.926	4.538.336
Other Operating Expense (-)	24	(338.854)	(1.907.760)
OPERATING PROFIT		**36.785.841**	**34.742.840**
Investment Income	25	448.509	--
Investment Expense (-)	25	(52.653)	(89.235)
OPERATING PROFIT BEFORE FINANCE COSTS		**37.181.697**	**34.653.605**
Finance Income	26	38.426	258.239
Finance Costs (-)	26	(3.233.223)	(2.457.730)
PROFITBEFORE TAX FROM CONTINUING OPERATIONS		**33.986.900**	**32.454.114**
Tax Expenses on Continuing Operations		(6.967.595)	(6.712.329)
Income Tax Expense	27	(6.527.015)	(5.936.077)
Deferred Tax Expense	27	(440.580)	(776.252)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**27.019.305**	**25.741.785**
NET PROFIT FOR THE PERIOD		**27.019.305**	**25.741.785**
Earnings Per Share From Continuing Operations		0,0110	0,0105
Diluted Earnings Per Share From Continuing Operations		0,0110	0,0105
Other Comprehensive Income Items that will never be classified to profit or loss:			
Remeasurement of Defined Benefit Plans	15	(646.769)	(2.099.989)
Tax effect of Remeasurement of Defined Benefit	27	129.353	419.998
OTHER COMPREHENSIVE INCOME		**(517.416)**	**(1.679.991)**
TOTAL COMPREHENSIVE INCOME		**26.501.889**	**24.061.794**

(*) See note 2.2 for Restatement

INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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

					Item that will never be reclassified to profit or loss		Retained Earnings		
	Notes	Paid-in Capital	Adjustment on Capital	Share premiums	Revaluation and remeasurement losess	Restricted Reserves	Retained earnings	Net profit for period	Total Equity
Balances at 1 January 2012		**24.534.143**	**25.856.460**	**1.092**	**--**	**27.105.565**	**42.094.853**	**34.624.441**	**154.216.554**
Accounting policy changes (*)		--	--	--	(1,149,441)	--		1,149,441	--
Balances at 1 January 2012 (restated)		**24,534,143**	**25,856,460**	**1,092**	**(1,149,441)**	**27,105,565**	**42,094,853**	**35,773,882**	**154,216,554**
Total comprehensive income (previously reported)		--	--	--	--	--	--	24.061.794	24.061.794
Transfers		--	--	--		2,877,329	32,896,553	(35,773,882)	--
Dividends		--	--	--	--	--	(30.000.000)	--	(30.000.000)
Balances at 31 December 2012 (previously reported)		**24,534,143**	**25,856,460**	**1,092**	**(1,149,441)**	**29,982,894**	**44,991,406**	**24,061,794**	**148,278,348**
Accounting policy changes (*)		--	--	--	(1.679.991)	--		1.679.991	--
Restated Balances at 1 January 2013		**24.534.143**	**25.856.460**	**1.092**	**(2.829.432)**	**29.982.894**	**44.991.406**	**25.741.785**	**148.278.348**
Losses of remeasurement on defined benefit plans		--	--	--	(517.416)	--	--	--	(517.416)
Total comprehensive income		--	--	--		--	--	27.019.305	26.501.889
Transfers		--	--	--		2.527.331	23.214.454	(25.741.785)	--
Dividends		--	--	--		--	(26.500.000)	--	(26.500.000)
Balances at 31 December 2013		**24.534.143**	**25.856.460**	**1.092**	**(3.346.848)**	**32.510.225**	**41.705.860**	**27.019.305**	**148.280.237**

(*) See Note 2,2 for Restatement

NOTES TO THE STATEMENTS OF CASH FLOWS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

		Audited	
	Note	Current Period 31 December 2013	Restated Prior Period 31 December 2012
A. Cash Flows From Operating Activities		**27.055.946**	**18.530.591**
Net Profit		27.019.305	25.741.785
Adjustments:			
Depreciation and amortization	11-12	11.268.074	10.311.264
Income tax expense	27	6.527.015	5.936.077
Deferred tax expense	27	440.580	776.252
Provision for employee termination benefits		503.197	528.492
Provision for vacation pay liability		1.115.981	332.184
Interest income		(3.438.616)	(4.661.284)
Interest expense	26	3.233.223	2.132.839
(Gains) losses on sale of property, plant and equipment-net	11-12	(395.856)	89.235
Provision for doubtful receivables	7	93.106	125.523
Other non-cash provisions		4.654.442	10.243.631
Changes in working capital:		**51.020.450**	**51.555.998**
Change in trade receivables		(6.013.234)	(10.676.544)
Change in other receivables		(13.286)	--
Change in due from related parties		1.127.403	(398.898)
Change in blocked deposits		(2.550.590)	(1.758.822)
Change in inventories		(837.962)	(2.434.211)
Change in other current assets		(3.141.625)	420.661
Change in prepaid expenses		3.262.381	(3.233.061)
Change in payables for employee benefits		856.473	(313.725)
Change in trade payables		(500.223)	5.327.959
Change in other non-current assets		(13.023)	951
Change in due to related parties		(68.155)	(125.292)

NOTES TO THE STATEMENTS OF CASH FLOWS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

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

		Audited	
	Note	Current Period 31 December 2013	Restated Prior Period 31 December 2012
Change in other payables		(3.011)	6.954
Change in other liabilities		37.841	(1.103.294)
Total adjustments		**43.163.440**	**37.268.676**
Net cash flow from operating activities:		**(16.107.494)**	**(19.963.522)**
Taxes paid		(6.647.152)	(6.866.189)
Interest paid	26	(2.796.703)	(1.803.118)
Severance paid	15	(1.440.404)	(1.018.972)
Provisions paid		(5.223.235)	(10.275.243)
B. Net Cash Flows from Investing Activities		**(11.934.411)**	**(28.565.119)**
Acquisition of property, plant and equipment	11	(15.427.585)	(27.715.635)
Acquisition of intangible assets	12	(50.721)	(5.755)
Proceeds from sale of property, plant and equipment		692.617	669.482
Advances given		--	(1.513.211)
Repayment of advances given		2.851.278	--
C. Net Cash Flows from Financing Activities		**(15.515.682)**	**(16.043.247)**
Proceeds from borrowings		7.545.702	9.243.293
Dividends paid		(26.500.000)	(29.988.760)
Interest received, net		3.438.616	4.702.220
Net decrease in Cash and Cash Equivalents (A+B+C)		(394.147)	(27.303.212)
D. Cash and Cash Equivalents at the Beginning of Period	**5**	**1.572.971**	**28.876.183**
Cash and Cash Equivalents At the End of Period (A+B+C+D)	**5**	**1.178.824**	**1.572.971**

(*) See note 2.2 for restatement.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

1 - ORGANIZATION AND NATURE OF BUSINESS

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

As at 31 December 2013, İzocam Holding Anonim Şirketi's ("İzocam Holding") share in the Company is to 95.07 percent through acquisition of 1,501,330,396 shares not listed in Borsa İstanbul Anonim Şirketi ("BIST") 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 4). The Company is registered at Capital Market Board of Turkey ("CMB") and its shares are listed in BİST since 15 April 1981. As at 31 December 2013, 38.84 percent of the shares are publicly traded at BİST.

As at 31 December 2013, total number of employees of the Company is an average basis 428 (31 December 2012: 436) including 189 white collar employees (31 December 2012: 191) and 239 blue collar employees (31 December 2012: 245).

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

Altayçeşme Mahallesi Öz Sokak

No: 19 Kat:3, 5, 6

34843 Maltepe / İstanbul

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of compliance

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

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

Company's statement of financial position as at 31 December 2013 and statement of profit or loss and other comprehensive income for year than ended was authorized for issue by the Board of Directors of the Company on 17 February 2014. General assembly and legal authorities have the right to change the accompanying financial statements upon publication.

Additional paragraph for convenience translation to English:

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

2.1.2 Basis of presentation of financial statements

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

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

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

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

2.1.3 Functional and presentation currency

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

2.1.4 Comparative information

Financial statements prepared as at and for the year ended 31 December 2013 are presented comparatively with prior period as at and for the year ended 31 December 2012. If necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative information is reclassed and related differences are explained in related notes.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.4 Comparative information (Continued)

Reclassifications made in accordance with CMB's "Announcement on Format of Financial Statements and Footnotes" dated 7 June 2013 are as follows:

Advances given for fixed assets amounting to TL 2,893,740, prepaid expenses amounting to TL 545,762, advances given for inventory amounting to TL 79,858, advances given to personnel amounting to TL 14,705 and job advances amounting to TL 5,281 were presented under "Other Current Assets" in current assets as at 31 December 2012 was reclassified to "Prepaid Expenses".

Due to personnel amounting to TL 25,234 that was presented under "Other Payables" account in short term liabilities as at 31 December 2012 was reclassified to "Payables for Employee Benefits".

Expense accruals for invoices not received amounting to TL 831,825 that was presented under "Provisions" account in short term liabilities as of 31 December 2012 was reclassified to "Other Trade Payables".

Employee bonus provision amounting to TL 2,171,102 that was presented under "Provisions" account in short term liabilities as at 31 December 2012 was reclassified to "Provisions for Employee Benefits".

Miscellaneous expense accruals amounting to TL 223,394 and legal provision amounting to TL 25,872 that were presented under "Provisions" account in short term liabilities as at 31 December 2012 was reclassified to "Other Short Term Provisions".

Taxes and duties payable amounting to TL 1,617,183, social security witholding payables amounting to TL 450,436 and private pension plan contributions amounting to TL 90,768 that were presented under "Other Short Term Liabilities" account in short term liabilities as at 31 December 2012 was reclassified to "Payables for Employee Benefits".

Actuarial loss amounting to TL 2,099,989 and deferred tax liability effect amounting to TL 419,998 that were presented under "General Administrative Expenses" account in statutory profit or loss and other comprehensive income for the year ended 31 December 2012 was reclassified to "Revaluation and Remeasurement Losses" under statutory profit or loss and other comprehensive income.

Actuarial loss amounting to TL 1,436,801 and deferred tax liability amounting to TL 287,360 that were presented under "Retained Earnings" account in equity as at 31 December 2012 was netted and reclassified to "Revaluation and Remeasurement Losses" under "Other Comprehensive Income".

Interest income on credit sales amounting to TL 4,403,045 that was presented under "Finance Income" account in profit or loss for the year ended 31 December 2012 was reclassified to "Other Operating Income".

Foreign currency losses amounting to TL 739,269 that was presented under "Finance Expense" account in profit or loss for the year ended 31 December 2012 was reclassified to "Other Operating Expense".

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies

TAS 19, Employee Benefits, were reused which is effective from 1 January 2013. Accordingly, actuarial gains and losses related to provision for severance pay liability are required to be presented under other comprehensive income.

The Company recorded actuarial gains and losses related to provision for severance pay liability until 31 December 2012 in profit or loss. The Company applied this change in accounting policy due to change in accounting standard retrospectively and financial statements and actuarial gain and losses reported in previous year reports were restated. Accordingly, opening balance of retained earnings and revaluation and remeasurement loss in equity as of 1 January 2012 decreased and increased by TL 1,149,441 respectively. Additionally, net profit for the year ended 31 December 2012 has increased by TL 1,679,991 together with revaluation and remeasurement losses under equity increased by TL 2,829,432.

2.3 Changes in Accounting Estimates and Errors

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

2.4 Changes in IFRS

2.4.1 New standards and interpretations adopted in 2013 that have no effect on the Company's financials

The International Accounting Standards Board (IASB) has issued amendments to IAS 12 "Income Taxes" as at 31 December 2010. The amendments set out in Deferred Tax: Recovery of Underlying Assets, result from proposals published for public comment in an exposure draft in December.

IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale, It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be through sale.

As a result of the amendments, SIC-21 Income Taxes—Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn, The amendment is effective for annual periods beginning on or after 1 January 2012 and it is not expected to have any impact on the financial statements. IFRS 10 "Consolidated Financial Statements" standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 "Consolidated Financial Statements" standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.1 New standards and interpretations adopted in 2013 that have no effect on the Company's financials (Continued)

IAS 27 (2011) replaces IAS 27 and is effective for annual periods after 1 January 2013.

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

IFRS 12 "Disclosure of Interests in Other Entities" standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 "Consolidated and Separate Financial Statements" related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 "Interests in Joint Ventures" and IAS 28 "Investment in Associates". These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities, Under the new standard it is expected that more comprehensive disclosures will be given for interests in other entities.

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

The amendments to IAS 1 "Presentation of Financial Statements" is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified.

TAS 28 Investment in Associates (2011), replaces TAS 28 (2008) and becomes effective on 1 January 2013 or annual periods following this date.

First implementation of TFRS 1 – Changes in TFRS 1 states the reclassifications of government loans for first time adopting companies. These changes are effective as of 1 January 2013 or annual periods following this date. Such changes do not have a material impact on the Company's financial statements.

TFRS 7 Financial Instruments: Changes in Interpretations – TFRS 7 standard requires companies to include disclosures on the netting of financial assets and liabilities. These changes are effective as of 1 January 2013 or annual periods following this date. Such change does not have a material impact on the Company's financial statements.

TFRSY 20 Operating Costs of Open Mine at Production – TFRSY 20 interpretation carries out timing of initial recognition and remeasurement for the benefits arising from stripping activities. These changes are effective as of 1 January 2013 or annual periods following this date. Such change does not have a material impact on the Company's financial statements.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.2 New Standards and Interpretations Not Yet Adopted as at 31 December 2013

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

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

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

TFRSY 21 Income Taxes – TFRSY 21 interpretation clarifies the recognition of payables related to tax liabilities. This change will be effective as of 1 January 2014 and annual periods following this date. The Company is not planning to early adopt this standard and impact of adopting this guidance has not been considered yet.

TAS 36 Impairment of Assets – Changes in TAS 36 standard requires the disclosures net realizable amount of non-financial assets only if impairment or reversal of impairment exists. This change will be effective as of 1 January 2014 and annual periods following this date. The Company is not planning to early adopt this standard and impact of adopting this guidance has not been considered yet.

TAS 32 Financial Instruments: Presentation – Changes in TAS 32 standard carries out new pronouncements on necessary criterion for netting of financial assets and liabilities. This change will be effective as of 1 January 2014 and annual periods following this date. The Company is not planning to early adopt this standard and impact of adopting this guidance has not been considered yet.

TAS 39 Financial Instruments: Recognition and Measurement – Changes in TAS 39 standard carries out new pronouncements on the evaluation of counterparties' of a financial risk safeguard instrument in a case where parties initially agree on a renewal clause that one or more clearinghouse becomes a new counterpart of each existing counterparty if existing regulations were updated for the accounting on financial safeguarding related to. This change will be effective as of 1 January 2014 and annual periods following this date. The Company is not planning to early adopt this standard and impact of adopting this guidance has not been considered yet.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies

Except for the changes disclosed in note 2.4.1, the Company has consistently applied the following accounting policies to all periods presented in these financial statements.

As explained in note 2.4.1,

Certain comparative amounts in the statement of profit or loss and other comprehensive income, statement of financial position have been reclassified or re-presented, either as a result of a change in accounting policy or Announcement on Format of Financial Statements and Footnotes regarding the presentation during the current year.

Significant accounting policies applied during the preparation of the financial statements are summarized as follows.

2.5.1 Foreign currency

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

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

2.5.2 Financial instruments

Non-derivative financial assets

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

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

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

The Group classifies non-derivative financial asset into: loans and receivables.

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, and trade and other receivables, including due from related parties.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Loans and receivables (Continued)

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

Non-derivative financial liabilities

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

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

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

2.5.3 Property, plant and equipment

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

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

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

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

Subsequent expenditures

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

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

Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Depreciation

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

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

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

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

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

2.5.4 Intangible assets

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

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

Amortization

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

The estimated useful lives are as follows:

Rights	*3-6 years*

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.5 Leases

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

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

Lease payments

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

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

2.5.6 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the monthly weighted average, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale (Note 9).

2.5.7 Impairment of assets

Non-derivative financial assets

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.7 Impairment of assets (Continued)

Non-derivative financial assets (Continued)

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

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

The Company recognizes impairment for its certain receivables for which the collection of such receivables may become doubtful in nature as a result of several factors. In addition to these doubtful receivables a provision is recognized regarding receivables that are aged and not collected; in litigation or not paid balances for which a payment is requested via writing notice or filed a formal notification. Subsequent to recognition of provision a recovery these receivables in full or partially has been reversed from provision and income was recognized in profit or loss.

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

Non-financial assets

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

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.8 Employee benefits

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

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

2.5.9 Provisions, contingent liabilities and contingent assets

A provision is recognized in the accompanying financial statements if as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities is disclosed in the notes to the financial statements (Note 14).

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

2.5.10 Revenue

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.11 Government grants

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

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

2.5.12 Finance income and expenses

Finance income is comprised interest income on time deposit. Foreign exchange gain and losses arising from financing activities are presented on a net basis. Finance expenses are comprised interest expenses of loans, factoring expenses and letter of guarantee commissions.

Borrowing costs that are not directly attributable to acquisition, construction or production of qualifying assets are recognized in profit or loss.

2.5.13 Income taxes

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

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year (Note27).

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates based on the laws that have substantively enacted at the reporting date.

Deferred tax are recognized for timing differences between the financial purposes and taxation purposes, depreciation and amortization effects over property, plant and equipments and intangible assets.

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

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

Assets held for sale

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.14 Earnings per share

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

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

2.5.15 Subsequent events

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

2.5.16 Expenses

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

2.5.17 Paid-in capital and dividends

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5.18 Related Parties

Subsidiaries, shareholders of the Company and companies of the shareholders, and also other companies managed by these companies or related to these companies and managers and directors of these companies are referred to as related parties according to IAS 24 – Related party disclosures (Note 4).

2.5.19 Statement Cash flows

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

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

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

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Use of Estimates and Judgments

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

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

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

- *Note 29.2.6* — *Determination of fair values*
- *Note 27* — *Tax assets and liabilities*
- *Note 13-15* — *Employee benefits*
- *Note 12* — *Useful lives of property, plant and equipment and intangible assets*
- *Note 7* — *Impairment losses on accounts receivable*
- *Note 9* — *Impairment losses on inventories*
- *Note 13* — *Other short-term provisions*

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

3 - SEGMENT REPORTING

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

4 - RELATED PARTIES

4.1 Due from Related Parties

At 31 December, due from related parties comprised the following:

	2013	2012
Saint-Gobain Isover CRIR	140.893	37.523
Saint-Gobain Rigips Alçı Sanayi ve Ticaret Anonim Şirketi ("SG Rigips")	116.025	15.707
Saint-Gobain Weber Yapı Kimyasalları Sanayi Ticaret Anonim Şirketi ("SG Weber")	66.761	1.428.016
Saint Gobain Recherche ("SG Recherche")	50.296	42.277
Saint Gobain İnovatif Malzemeleri ve Aşındırıcı Sanayi ve Ticaret Anonim Şirketi ("SG İnovatif")	24.805	--
Saint Gobain Isover Ireland ("SG Isover Ireland")	8.053	--
Kuwait Insulating Material MFG CO. ("KIMCO")	7.312	3.574
Saint Gobain Isover Italia S.P.A. ("SG Isover Italy")	--	12.215
Alghanim Industries Corporate Office ("AICO")	--	2.236
	414.145	**1.541.548**

As at 31 December 2013 there is no collateral received from related parties (31 December 2012: TL 7,761).

4.2 Due to Related Parties

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

	2013	2012
Grunzweig Hartman AG ("Grunzweig")	166.893	146.505
SG Isover France	155.354	144.538
Other	--	99.359
	322.247	**390.402**

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

4 - RELATED PARTIES (Continued)

4.3 Sales to Related Parties

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

	2013	2012
SG Weber	693.995	6.391.165
SG Gobain Gradevınskı Proızvodı D.O.O.("Saint Gobain GP")	161.768	164.542
SG Rigips	119.295	13.645
SG Isover Ireland	47.688	44.772
SG Recherche	23.230	20.773
KIMCO	21.616	199.150
Saint-Gobain Savoie Refractaires	--	108.328
SG Isover Italy.	--	44.206
AICO	--	2.251
	1.067.592	**6.988.832**

4.4 Purchases from Related Parties

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

	2013	2012
SG Isover France	1.256.538	1.144.476
Grunzweig	934.433	836.278
SG Weber	96.501	2.392.272
SG Rigips	63.522	13.180
Saint-Gobain Isover France	5.937	5.477
Saint-Gobain Isover SA	3.960	1.454
Saint Gobain - Isover (Germany)	--	347.918
KIMCO	--	57.354
SG Recherche	--	11.007
SG Glass Italia	--	1.524
	2.360.891	**4.810.940**

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

4 - RELATED PARTIES (Continued)

4.5 Other Transactions with Related Parties

For year ended 31 December, other transactions with related parties comprised the following:

Dividends paid	2013	2012
İzocam Holding	25.193.406	28.520.924
Central Record Institution ("MKK")	1.296.665	1.467.836
Other (*)	9.929	11.240
	26.500.000	**30.000.000**

(*) Amount of 9,929 TL transferred to reimbursement to Investor Compensation Center.

4.6 Remunerations to the Top Management

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

Short term benefits:	2013	2012
(Salaries, premiums, housing, company cars, social security, health insurance, vacation pay etc.)	3.140.833	2.918.237
Other long term benefits:		
(Termination indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	403.736	267.639
TOTAL	**3.544.569**	**3.185.876**

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

5 - CASH AND CASH EQUIVALENTS

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

	2013	2012
Cash at blockage (*)	5.558.754	3.008.164
Banks	**831.553**	**891.811**
Demand deposits	831.553	891.811
Cheques at collection (**)	347.271	681.160
	6.737.578	**4.581.135**

** As at 31 December 2013, cash and cash equivalents consist of cash at blockage amounting to TL 5,558,754 (2012: TL 3,008,164). TL 2,956,233 amount of consisted of cash at blockage Direct Borrowing System ("DBS") (2012: TL 3,008,164). At 17 March 2010, the Company has started to use Direct Borrowing System ("DBS"), a new method of collection of receivables. In accordance with the arrangements made with various banks, instead of the Company, banks set a credit limit to customers and the collection is performed by the bank. Following the collection, the bank retains the payments received at blockage for one day. As at 31 December 2013, TL 2,602,521 of cash blockage amount mainly comprised of the credit card receivables with a maturity less than 3 months. (2012: None).*

*** Cheques in collection are composed of the cheques which have not been transferred to the company's bank deposits accounts as at 31 December 2013, with a maturity date on or before 31 December 2013.*

At 31 December, demand deposits comprised the following currencies;

	2013	2012
United States Dollar ("USD")	747.005	336.264
TL	84.548	555.547
	831.553	**891.811**

As of 31 December 2013, there is no time deposit held. (2012: None)

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.

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

5 - CASH AND CASH EQUIVALENTS (Continued)

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

	2013	2012
Other cash equivalents	5.558.754	3.008.164
Banks	**831.553**	**891.811**
Demand deposit	831.553	891.811
Cheques at collection	*347.271*	*681.160*
Less: Cash at blockage	*(5.558.754)*	*(3.008.164)*
	1.178.824	**1.572.971**

6 - SHORT TERM BORROWINGS

At 31 December, bank borrowings comprised the followings:

TL Equivalents	2013	2012
Factoring loans (*)	**4.209.533**	**4.686.619**
USD	3.389.418	3.876.092
European Union Currency Unit ("Euro")	820.115	810.527
Bank borrowings	**17.812.552**	**9.789.764**
TL	17.812.552	9.789.764
	22.022.085	**14.476.383**

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

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

7 - ACCOUNTS RECEIVABLE AND PAYABLE

7.1 Short-Term Trade Receivable

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

	2013	2012
Accounts receivable	76.960.490	70.200.787
Notes receivable	12.670.329	13.474.431
Doubtful receivables	*856.711*	*895.847*
Foreign exchange losses on trade receivables	*(1.343.588)*	*(180.713)*
Less: Allowance for doubtful receivables	*(856.711)*	*(895.847)*
	88.287.231	**83.494.507**

At 31 December 2013, TL 414,145 of accounts receivable comprised due from related parties (2012: TL 1,541,548) in which detailed presentation is disclosed in Note 4.

Average collection period of trade receivables is 86,8 days (31 December 2012: 92,7 days) which may change according to the type of the product and the terms of the agreement with the customer.

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

Cheques	2013	2012
0 - 30 days	4.778.059	5.668.807
31 - 60 days	4.168.788	4.412.908
61- 90 days	*2.495.477*	*2.406.167*
91 days and over	*1.228.005*	*986.549*
Total	**12.670.329**	**13.474.431**

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

	2013	2012
Beginning balance	895.847	1.126.452
Provision for the year	93.106	125.523
Write offs	*(132.242)*	*(356.128)*
Period end	**856.711**	**895.847**

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

7 - ACCOUNTS RECEIVABLE AND PAYABLE (Continued)

7.2 Short-Term Trade Payables

At 31 December 2013, short-term trade payables amount to TL 28,118,522 (2012: TL 28,419,900) arising from accounts payable to various suppliers and average payment term is 33.3 days. (2012: 29.4 days). As at 31 December 2013, TL 221,717 of short term trade payables (2012: TL 26,486) consists of foreign currency losses.

At 31 December 2013, TL 322,247 of trade payables comprised due to related parties (2012: TL 390,402) for which detailed presentation is disclosed in Note 4.

8 - OTHER RECEIVABLES AND PAYABLES

8.1 Long-Term Other Receivables

At 31 December 2013, long-term receivables comprised deposits given amounting to TL 17,241 (2012: TL 3,955).

8.2 Short-Term Other Payables

At 31 December 2013, short-term other payables amounting to TL 5,540 (2012: TL 8,851) comprised of other payables.

9 - INVENTORIES

As at 31 December, inventories comprised the following:

	2013	**2012**
Raw materials and supplies	15.093.482	14.422.199
Finished goods	7.686.932	7.039.673
Trading goods	449.748	930.327
	23.230.162	**22.392.199**

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

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

10 - ASSETS HELD FOR SALE

Company Management received a valuation report for factory building, administrative building and land of to Tekiz Facilities. These were presented as non-current assets classified as held for sale.

As of December 31, the non-current assets classified as held for sale are as follows:

	2013	2012
Tangible Assets	1.995.421	--
Total	**1.995.421**	**--**

As 31 December 2013, non-current assets held for sale, consists of TL 237,103 land, TL 66,805 of land improvements and TL 1,691,513 of buildings. On 16 January 2014, sale for this asset was completed for a total consideration of USD 21.1 million and total consideration amount was received in cash.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

11 - PROPERTY, PLANT AND EQUIPMENT

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

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

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

For the year ended 31 December 2013, depreciation expenses amounting to TL 9,903,904 (31 December 2012: TL 8,423,218) has been recognized under cost of sales, TL 167,498 (31 December 2012: TL 118,600) has been included under administrative expenses and TL 1,164,551 (31 December 2012: TL 872,998) has been capitalized on stocks.

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

As at 31 December 2013 and 2012, the Company utilizes tangible assets which have zero net book value on its accounts (31 December 2013 Cost: TL 128,287,754 Accumulated Depreciation: TL 128,287,754; 31 December 2012 Cost: TL 140,996,393 Accumulated Depreciation: TL 140,996,393).

(*) Refer to explanation on Note 10 for transfers. Property, plant and equipment related to Tekiz Facility are reclassed to assets held for sale due to the fact that the sale is planned to be completed within a year.

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

11 - PROPERTY, PLANT AND EQUPMENT (Continued)

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

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

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

12 - INTANGIBLE ASSETS

For the year ended 31 December 2013, movement in the intangible assets comprised the following:

Cost	**1 Jan. 2013**	**Additions**	**31 Dec. 2013**
Software rights	798.212	50.721	848.933
	798.212	**50.721**	**848.933**
Less: Accumulated amortization	**1 Jan. 2013**	**Charge for the period**	**31 Dec. 2013**
Software rights	(747.586)	(32.121)	(779.707)
Total accumulated amortization	**(747.586)**	**(32.121)**	**(779.707)**
Net book value	**50.626**		**69.226**

At 31 December 2012, movement in the intangible assets comprised the following:

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

At 31 December 2013, amortization expenses amounting to TL 32,121 (31 December 2012: TL 41,891) have been included in administrative expenses.

At 31 December 2013 and 2012, the Company utilizes intangible assets which have zero net book value on its accounts (31 December 2013 Cost: TL 708,674.45; Amortization: TL 708,674.45; 31 December 2012 Cost: TL 696,241, Amortization: TL 696,241).

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

13 - SHORT TERM PROVISIONS

13.1 Short Term Provision for Employee Benefits

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

	2013	2012
Provisions for bonuses	2.171.102	2.199.286
Short term portion of the unused vacation pay liability (*)	135.249	95.570
Total	**2.306.351**	**2.294.856**

(*) Vacation pay provision calculated based on accumulated vacation days of Company employees for the reporting year is recorded as vacation pay liability.

13.2 Other Short Term Provisions

At 31 December, other short-term provisions are comprised the following:

	2013	2012
Miscellaneous provisions for expenses	*73.919*	*223.394*
Provisions for litigation	*25.872*	*25.872*
	99.791	**249.266**

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

	1 Jan. 2013	Additions	Payments	Reversal	31 Dec. 2013
Provisions for personnel premium(*)	2.199.286	5.117.206	(5.145.391)	--	2.171.102
Miscellaneous provisions for expenses(**)	223.394	47.708	(77.844)	(119.338)	73.919
Provisions for litigation	25.872	--	--	--	25.872
	2.448.552	**5.164.914**	**(5.223.235)**	**(119.338)**	**2.270.893**

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

	1 Jan. 2012	Additions	Payments	Reversal	31 Dec. 2012
Provisions for personnel premium(*)	2.210.334	2.199.286	(2.210.334)	--	2.199.286
Provisions for litigations	30.947	--	(5.075)	--	25.872
Miscellaneous provisions for expenses(**)	112.735	11.548.799	(8.059.834)	(3.378.306)	223.394
	2.354.016	**13.748.085**	**(10.275.243)**	**(3.378.306)**	**2.448.552**

(*) Provisions for bonuses are the amount that determined according to decision over performance criteria by İzocam's Board of Directors.

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

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

14 - COMMITMENTS

According to the decision of CMB on 29 December 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party's debts. The commitments given;

For companies other than publicly owned associations and financial institutions;

i) For their own corporate identities

ii) In favor of fully consolidated associations

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

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

At 31 December commitments given are as follows:

	2013	2012
A Commitments given in the name of own legal entity	12.901.417	15.191.195
B Commitments given in favor of full consolidated subsidiaries	--	--
C Commitments given to guarantee the debts of third parties to continue their operations	--	--
D Other commitments given;	--	--
- in favor of parent company	--	--
- in favor of group companies other than mentioned in bullets B and C	--	--
- in favor of third parties other than mentioned in bullets C	--	--
Total	**12.901.417**	**15.191.195**

At 31 December, the Company has letter of guarantees obtained from banks and given to Custom Offices, foreign and domestic suppliers and to banks and notes given as collaterals. Ratio of guarantees given by the Company to its equity as at 31 December 2013 was 0,087. (2012: 0,102)

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

14 - COMMITMENTS (Continued)

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

	2013	2012
1.year	658.951	219.534
2. year	658.951	--
3.year	89.637	--
	1.407.539	**219.534**

As at 31 December 2013, loan limits and terms to maturities have been determined by associate banks to the customers who have been included in DBS system. The Company has accepted that it has right to recall the loans which have been granted to customers that who have not been performing regular loan repayment and customers who have been regularly making payment at a level of credit limit for the 30 days period. The Company has accepted that if the loans in question are not closed within the specified period, the Company accepted that the Banks have right to engage legal proceedings for related customer.

15 - LONG TERM PROVISIONS

Employee Benefits

At 31 December, employee benefits comprised the following:

	2013	2012
Employee severance indemnity	6.205.879	6.059.796
Long term portion of vacation pay liability	2.219.395	1.534.227
Employee benefits	**8.425.274**	**7.594.023**
Short term portion of vacation pay liability	135.249	95.570
Total	**8.560.523**	**7.689.593**

Provision for employee severance indemnity has been set as follows:

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

The severance pay is calculated as one month gross salary for every employment year and as at 31 December 2013 the ceiling amount has been limited to TL 3,254.44 (31 December 2012: TL 3,033.98). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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

15 - LONG TERM PROVISIONS (Continued)

Employee Benefits (Continued)

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

	2013	2012
Discount rate %	3,50	2,38
Turnover rate to estimate the probability of retirement %		
Age range 18 - 24	12	12
Age range 25 – 29	7	7
Age range 30 – 39	3	3
Age range 40 – 44	1	1
Age range 45 – 49	1	1
Age range 50 – 69	1	1

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

The movement of employee severance indemnity is as follows:

	2013	2012
Opening balance	6.059.796	4.120.567
Interest cost	436.520	329.721
Cost of services	503.197	528.492
Payments made during the period	(1.440.404)	(1.018.972)
Actuarial difference	646.770	2.099.988
Ending balance	**6.205.879**	**6.059.796**

Actuarial losses arise from the changes in interest rates and changes in expectations about the salary increases. In addition to that, the number of employees that receive their indemnity before retirement increased the difference. For the year ended 31 December 2013, interest cost portion is recognized as finance expense where as cost of services are recognized as general administrative expenses and actuarial losses are recognized in other comprehensive income.

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

15 - LONG TERM PROVISIONS (Continued)

Employee Benefits (Continued)

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

	2013	2012
Opening balance	1.629.797	1.423.759
Additional provision during the period	1.115.981	332.184
Reversal	(391.134)	(126.146)
	2.354.644	**1.629.797**

16 - PAYABLES FOR EMPLOYEE BENEFITS

As at 31 December, payables for employee benefits comprised the following:

	2013	2012
Withholding taxes and duties	2.441.481	1.617.183
Social security premium payable	482.127	450.436
Individual pension plan contribution payable	106.452	90.768
Due to personnel	10.034	25.234
Total	**3.040.094**	**2.183.621**

17 - PREPAID EXPENSES

At 31 December, prepaid expenses comprised the following:

	2013	2012
Advances given for inventory	130.150	79.858
Prepaid expenses	104.353	545.762
Advances given for fixed asset (*)	42.462	2.893.740
Job advances	--	5.281
Advances given to personnel	--	14.705
	276.965	**3.539.346**

(*) At 31 December 2013, advances given for fixed asset represents the advances for stonewool pipeline investment.

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

18 - OTHER ASSETS and LIABILITIES

18.1 Other Current Assets

At 31 December, other current assets comprised the following:

	2013	2012
Value Added Tax ("VAT") receivable	809.618	872.611
Taxes and duties receivable	370.733	--
VAT receivable on exports	177.454	205.380
Other	229.261	218.728
	1.587.066	**1.296.719**

18.2 Other Current Liabilities

At 31 December, other current liabilities comprised the following:

	2013	2012
VAT payable	291.626	253.388
Other	7.497	7.894
	299.123	**261.282**

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

19 - EQUITY

19.1 Paid-in Capital / Inflation Adjustment on Capital

At 31 December 2013, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (31 December 2012: 2.453.414.335 shares of Kr 1 each) of kr 1 each, There are no privileges rights provided to different shareholder groups or individuals. The shareholder structure of the Company is as follows:

	2013		2012	
	Shares	Ownership interest %	Shares	Ownership interest %
İzocam Holding	15.004.304	61,16	15.004.304	61,16
İzocam Holding (Publicly traded)	8.320.173	33,91	8.320.173	33,91
Other (Publicly traded)	1.209.666	4,93	1.209.666	4,93
	24.534.143	**100,00**	**24.534.143**	**100,00**
Inflation Adjustment on Capital	25.856.460		25.856.460	
	50.390.603		**50.390.603**	

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

Registered capital information: *The Company acknowledged registered capital system under the provisions of Law No. 2499 and adopted the system with the permit of CMB dated 28 September 1984 numbered 291. Authorized capital of the Company is TL 60,000,000 TL. Paid-up capital of the Company is TL 24,534,143.35. During 2013, there was no capital increase made by the Company.*

19.2 Share Premiums / Restricted Reserves

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

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19 - EQUITY (Contirnued)

19.2 Share Premiums / Restricted Reserves (Continued)

Equity items are presented at their nominal values in the financial statements. Inflation effect on these equity items are as follows:

31 December 2013	**Nominal value**	**Inflation adjustment**	**Restated values**
Share premiums	1.092	223.408	224.500
Restricted reserves	32.510.223	23.641.953	56.152.176
Legal reserves	32.510.177	18.710.928	54.221.105
Special reserves(*)	46	4.931.025	4.931.071
Extraordinary reserves	16.507.941	(1.496.872)	15.011.069
	49.019.256	**22.368.489**	**71.387.745**
31 December 2012	**Nominal value**	**Inflation adjustment**	**Restated values**
Share premiums	1.092	223.408	224.500
Restricted reserves	29.982.894	23.641.953	53.624.847
Legal reserves	29.982.848	18.710.928	48.693.776
Special reserves(*)	46	4.931.025	4.931.071
Extraordinary reserves	21.263.482	(1.496.872)	19.766.610
	51.247.468	**22.368.489**	**73.615.957**

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

Extraordinary reserves have been presented under retained earnings.

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

19 - EQUITY (Contirnued)

19.3 Dividend Distribution

Dividend Comminuqué No. II-19.1, dated 23 January 2014 and prepared in accordance with Capital Market Law No. 6362 published on Official Gazette No. 28513 with an effective date of 30 December 2012, was published on Official Gazzette No. 28891 and it was stated that the comminuqué will be effective 1 February 2014.

Per Dividend Comminuqué No. II-19.1 prepared based on Articles 19 and 20 of Law no. 6362;

- *Corporations will distribute their profits based on dividend distribution policies and through general assembly decision in adherence with provisions of respective laws and regulations and minimum requirements for dividend distribution policy were determined.*
- *Dividends will be distributed to all shareholders pro-rata based on the ownership percentage as of distribution date regardless of issuance and purchase date.*
- *Aside from determination of the date for dividend distribution, payment period was not restricted based on the fact that dividend distribution date shall be included in distribution policy under the condition of commencement at the end of annual period dureing which the General Assembly for latest distribution decision was made.*
- *Under the condition of decision at General Assembly, dividends may be paid in installments, methods and principles were determined for payment of dividends via installment under this context.*
- *If there is no specific raito was determined for distribution, although an article exists within articles of incorporation for the priviliged shareholders, bonus share holders, board members, employees and individuals other than shareholders; dividend amounts can not exceed one fourth of dividends paid to shareholders.*
- *It was decided that there has to be a specific provision in the articles of association for donations by corporations, the donation limits shall be determined by general assembly and CMB is authorized to impose maximum limits on donation amounts.*
- *New principles were determined regarding the calculation of advance dividend amounts to be distributed based on interim financial statements by publicly traded corporations.*
- *In case of decision by corporations for the distribution of at least 25 percent of net distributable period income as cash dividends, a discount of 25 percent shall be applied on registration fees regarding share issuances to be made within one year upon approval by general assembly.*

Under the circumstances stated above;

- *Corporations will distribute their profits based on dividend distribution policies and through general assembly decision in adherence with provisions of respective laws and regulations. Regarding profit distribution policy, corporations under the influence of CMB could adopt different bases for distribution.*

19 - EQUITY (Contirnued)

19.3 Dividend Distribution (Continued)

- *Corporations shall include the following at a minimum in their distribution policies:*
    - *Decision on whether any dividends will be distributed and dividend distribution rate for shareholders and other stakeholders if distributed,*
    - *Payment method of the dividend,*
    - *Timing of the dividend payment under the condition that the distribution process will begin at the latest of the period end date of the annual period that the general assembly is met.*
- *In case of a request for change in dividend distribution policy, the basis and the related board resolution for the change are announced publicly in accordance with the provisions of material disclosures of CMB.*

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

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

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

19 - EQUITY (Contirnued)

As at 31 December, according to the matters above the equity accounts of the Company:

	2013	2012
Paid-in capital	24.534.143	24.534.143
Inflation adjustment on capital	25.856.460	25.856.460
Restricted reserves		
Legal reserves	32.510.179	29.982.848
Special reserves	46	46
Inflation adjustment on legal reserves	18.710.928	18.710.928
Extraordinary reserves	14.493.651	18.296.613
Special reserves	4.931.025	4.931.025
Inflation adjustment on share premium	223.408	223.408
Share premium	1.092	1.092
Net Profit	27.019.305	25.741.785
Total Equity	**148.280.237**	**148.278.348**

In the ordinary general assembly held on 25 March 2013, it has been decided to distribute dividend amounting to TL 26,500,000 trough net profit for the year ended 31 December 2012 amounting to TL 24,061,794 as cash dividends, TL 4,965,535 is transferred from extraordinary reserves and TL 2,527,331 will be transferred to second legal reserves.

At 31 December 2013, TL 9,929 of TL 26,500,000 was sent to Investor Compensation Center.

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

20 - REVENUE AND COST OF SALES

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

	2013	2012
Domestic sales	298.784.056	278.238.445
Export sales	59.960.208	58.908.369
Other	610.469	399.038
Gross sales	**359.354.733**	**337.545.852**
Less: Sales returns and discounts	(20.238.377)	(19.253.368)
Net sales	**339.116.356**	**318.292.484**
Less: Cost of sales	(256.270.142)	(239.176.487)
Gross profit	**82.846.214**	**79.115.997**

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

	2013	2012
Raw materials and consumables	228.863.956	215.893.393
Personnel	17.668.963	16.357.685
Depreciation	9.903.904	8.423.218
Changes in inventory	(166.681)	(1.497.808)
Cost of Sales	**256.270.142**	**239.176.488**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

21 - MARKETING EXPENSES

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

	2013	**2012**
Freight insurance	19.575.493	19.711.625
Personnel	6.940.788	6.272.173
Licenses	2.740.453	2.661.854
Storage	2.308.153	1.766.252
Dealer and authorized service	1.716.091	1.092.614
Advertisement	1.614.681	1.305.419
Transportation	703.539	772.386
Sales commissions	633.657	813.067
Collateral	516.108	510.481
Exhibition and fair	341.317	357.055
Travel	266.858	362.412
Rent	166.223	156.159
Public relations and events	120.251	204.871
Other	621.172	537.734
	38.264.784	**36.524.102**

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

22 - ADMINISTRATIVE EXPENSES

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

	2013	2012
Personnel	8.019.765	6.613.008
Information technology	515.813	443.266
Transportation	418.330	378.397
Consultancy	277.380	257.680
Duty, taxes and levies	241.915	156.068
Telecommunication	231.606	213.571
Subscription	227.408	137.513
Representation	217.636	194.368
Depreciation and amortization (Note 11 and 12)	199.619	199.399
Repair, maintenance and energy	191.765	275.312
Legal	115.702	142.040
Stationary and publishing	102.561	64.704
Insurance	99.118	70.906
General assembly	85.131	51.541
Travel	79.326	87.564
Donations (*)	10.155	10.356
Other	1.461.431	1.183.938
	12.494.661	**10.479.631**

(*) For the year ended 31 December 2013, donations made to charitable organizations amounted to TL 10,155 (31 December 2012: TL 10,356).

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

23 - EXPENSES BY NATURE

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

Expenses by nature for the year ended 31 December 2013 and 2012 comprise the following:

	2013	2012
Additional wages	16.594.538	16.513.716
Salaries (*)	14.549.625	10.715.282
Severance payments	1.302.354	2.013.868
Depreciation and amortization	11.268.740	10.311.264
Advertisement	1.614.681	1.305.419
Consultancy	277.380	257.680
Maintenance	191.765	275.312
	45.799.083	**41.392.541**

(*) Difference between salaries for the year ended 31 December 2013 and 2012 resulted from reclassifications of actuarial losses. For the year ended 31 December 2013 actuarial gain of TL 646,769 was reclassified under equity (31 December 2012: TL 2,099,989).

Interest rate used for the calculation of discount rate regarding the provision expense for severance liability for the year ended 31 December 2011 was 9.11 percent and this rate was reduced to 7.50 percent resulting in decrease in discount rate from 3.91 percent as of 31 December 2011 to 2.38 percent as of 31 December 2012. Reduction in discount rate resulted in higher actuarial losses in light of change in severance pay provision assumption.

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

24 - OTHER INCOME AND EXPENSE FROM PRINCIPAL ACTIVITIES

24.1 Other Operating Income

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

	2013	2012
Interest income on credit sale	3.400.190	4.403.045
Other operating income	1.535.501	85.676
Collections from insurance contracts	98.007	44.540
Recoveries of bad debt provisions	4.228	5.075
	5.037.926	**4.538.336**

24.2 Other Operating Expense

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

	2013	2012
Foreign exchange losses	257.689	739.269
Provision for doubtful receivables	48.958	125.523
Non-operating expenses (*)	--	972.261
Other	32.207	70.707
	338.854	**1.907.760**

(*) Non-operating expenses include amounts related to June and July month investment period of Stonewool facility and depreciation expense for unused equipment at 6th line of Glass Wool facility.

25 - INVESTMENT INCOME/EXPENSE

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

	2013	2012
Gain on sale of fixed assets	448.509	--
Investment income	**448,509**	**--**
Loss on sale of fixed assets	(52.653)	(89.235)
Investment expense	**(52.653)**	**(89.235)**
Income (Expense), net	**395.856**	**(89.235)**

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

26 - FINANCE INCOME AND COSTS

26.1 Finance Income

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

	2013	2012
Interest income on time deposits	38.426	258.239
	38.426	**258.239**

26.2 Finance Costs

For the year ended 31 December, finance costs comprised the following:

	2013	2012
Interest expense on borrowings	2.796.703	2.128.009
Interest cost on defined benefit plan	436.520	329.721
	3.233.223	**2.457.730**

27 - INCOME TAX

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

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

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

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

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

27 - INCOME TAX (Continued)

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns on the fifteenth date of the four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filling 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.

27.1 Tax Liability / Deferred Tax Asset and Liabilities

At 31 December, total tax liability comprised the following:

	2013	2012
Corporate tax provision	6.527.015	5.936.077
Prepaid taxes	(4.726.203)	(4.015.128)
Current tax liability	1.800.812	1.920.949
Deferred tax liability	633.355	322.128
Total tax liability	**2.434.167**	**2.243.077**

27.2 Tax Expense

27.2.1 Tax recognized in profit or loss

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

	2013	2012
Current tax expense	(6.527.015)	(5.936.077)
Deferred tax credit	(440.580)	(776.252)
	(6.967.595)	**(6.712.329)**

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

27 - INCOME TAX (Continued)

27.2.1 Tax recognized in profit or loss (Continued)

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

	2013		2012	
		%		%
Profit before tax	33.986.900		32.454.114	
Tax rate	20		20	
Taxes on reported profit per statutory tax rate	(6.797.380)	(20,00)	(6.490.823)	(20,00)
Disallowable expenses	(170.215)	(0,005)	(221.506)	(0,003)
Tax provision	**(6.967.595)**	**(20,005)**	**(6.712.329)**	**(20,003)**

27.2.2 Taxes Recognized in Other Comprehensive Income

	2013	2012
Tax effect of remeasurement loss on defined benefit plans	129.353	419.998
Tax Expense Recognized in Other Comprehensive Income	**129.353**	**419.998**

27.3 Deferred Tax Assets and Liabilities

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

The Company recognizes deferred tax assets in the financial statements by taking into consideration the factors such as the developments in the sector that the Company is operating, taxable income in the forthcoming years. Turkey's general economic and political situation, and/or global economic and political situations. The Company expects to generate taxable income in the forthcoming years and considers Turkey's economic and political situation shows clear positive developments. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in the forthcoming years under the balance sheet method using a principal tax rate of 20 percent (2012: 20 percent).

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

27 - INCOME TAX (Continued)

27.3 Deferred Tax Assets and Liabilities (Continued)

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

	2013 Deferred tax		2012 Deferred tax	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Employee severance indemnity	1.241.176	--	1.211.959	--
Vacation pay liability	470.929	--	325.959	--
Unrecognized interest expense	73.307	--	52.439	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles		(2.191.031)	--	(1.755.677)
Other	5.174	(232.910)	30.407	(187.215)
	1.790.586	**(2.423.941)**	**1.620.764**	**(1.942.892)**
Offsetting	(1.790.586)	1.790.586	(1.620.764)	1.620.764
		(633.355)	**--**	**(322.128)**

The movement of deferred tax liabilities is as follows:

	1 Jan. 2012	Other comprehensive income	Profit or (loss)	31 Dec. 2012	Other comprehensive income	Profit or (loss)	31 Dec. 2013
Employee severance indemnity	824.113	419.998	(32.152)	1.211.959	129.353	(100.136)	1.241.176
Vacation pay liability	284.752	--	41.207	325.959	--	144.970	470.929
Unrecognized interest expense	96.110	--	(43.671)	52.439	--	20.868	73.307
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(1.039.004)	--	(716.673)	(1.755.677)	--	(435.354)	(2.191.031)
Other	(131.845)	--	(24.963)	(156.808)	--	(70.928)	(227.736)
Net Book Value	**34.126**	**419.998**	**(776.252)**	**(322.128)**	**129.353**	**(440.580)**	**(633.355)**

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28 - EARNINGS PER SHARE

Earnings per share is computed by dividing the net profit for the year ended 31 December 2013 amounting to TL 26,501,889 (31 December 2012: TL 24,206,745) to the weighted average of the shares during these periods,

Earnings per share	2013	2012
Net Profit	27.019.305	25.741.785
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335
Basic Earnings per share (Kr per share)		
Diluted Earnings per share (Kr per share)	**0,01101**	**0,0105**

29 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

29.1 Financial Risk Management

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

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

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

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

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

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

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

29.1 Financial Risk Management (Continued)

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

In accordance with the Article 378 of TCC or the publicly traded companies the Board of Directors are obliged to set up an expert committee in order to identify, develop and update systems, manage and put actions against those risks which can affect existency development end continuance of the Company. Accordingly, the Company set up the relevant committee on 2 April 2013, comprise of three members. This committee has one meeting on 1 July 2013 and the report prepared by this committee had been presented to the Board of Directors of the Company.

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

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

29.1.1 Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party. The 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 thorough agency system within Turkey to a great extent. The Company minimizes the collection risk by the guarantee letters taken from agencies, liens and commitment notes received before the sale and controls the orders of agencies out of guarantee by comparing these guarantees received from the agencies with their receivables. Additionally, the Company guarantees its receivables through direct borrowing system by the agreements of various banks. The Company is exposed to credit risk amounting to TL 7,853,166 (31 December 2012: TL 8,828,415) which is not covered by collaterals and DBS guarantees. Provisions made for doubtful receivables are within reasonable borders based on the past experiences of the Company in collection of accounts receivable. Therefore, the management does not foresee any additional risk relating to accounts receivable more than provisions made.

Provisions are observed to be within expected thresholds based on historical trends of collection of its trade receivables. Therefore, management does not foresee any additional risk related to the Company's trade receivables other than provision allocated.

Largest balance of trade receivables is TL 2.699.584 for a single customer.

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

29.1.2 Liquidity risk

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

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

At 31 December 2013 the Company has guaranteed the receivables amounting to TL 123,245,250 (31 December 2012: TL 101,133,150) via Direct Borrowing System aiming to avoid liquidity risk. The Company has also obtained factoring loans amounting to TL 4,209,533 (31 December 2012: TL 4,686,619) through making early collection; increases the liquidity position and avoids foreign exchange loss risk.

29.1.3 Market risk

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

Currency risk

The Company is exposed to currency risk due to its import transactions and borrowings in foreign currency. These transactions are held in USD, Euro. The Company began to utilize factoring transactions in order to hedge foreign currency risk on its imports since 26 January 2010. Thus, the Company collects foreign denominated receivables in TL prior to maturity.

Interest Rate Risk

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

29.2 Risk Management Disclosures

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

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

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

29.2.1 Interest rate risk

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

Fixed interest rate financial instruments		2013	2012
Short-term bank borrowings (Note 6)	Note 6	22.022.085	14.476.383

29.2.2 Credit risk

Credit risk is diversified since there are many counterparties in the customer database. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, Approximately 10.94 percent of the Company's revenue is attributable to sales transactions with a single customer.

Largest balance of trade receivables is TL 2.699.584 for a single customer.

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

	2013	2012
1. and 5. District Office (Marmara, West Black Sea Regions)	47.848.135	38.247.970
2. District Office (Central Anatolia, Middle Black Sea Regions)	13.482.772	15.245.022
4. District Office (Aegean and Mediterranean Sea Regions)	11.545.608	11.859.854
Middle East, Balkans, Africa and Others	8.547.733	5.066.579
3. District Office (South East Anatolia, East Anatolia, East Black Sea Regions)	6.448.839	11.233.532
	87.873.087	**81.952.957**

At 31 December 2013, the Company has a letter of guarantee amounting to TL 15,070,021 (2012: TL 10,810,675), mortgage amounting to TL 564,000 (2012: TL 729,000), Eximbank guarantee amounting to TL 14,659,589 (2012: TL 13,213,744), collaterals received as notes amounting to TL 835,724 (2012: TL 831,874) and direct borrowing system guarantees amounting to TL 123,245,250 (2012: TL 101,133,150), The Company does not have collaterals received as cash at 31 December 2013 (2012: nil).

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

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

29.2.2 Credit risk (Continued)

Detail of credit risk as at 31 December 2013 is as follows:

31 December 2013	Receivables Trade Receivables		Deposits on Banks	Other (Commitments given)
	Related Party	Others		
Exposure to maximum credit risk as at reporting date (A+B+C+D)	414.145	87.873.086	831.553	12.901.417
A. Net carrying value of financial assets which are neither impaired nor overdue	414.145	80.373.364	831.553	--
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	--	7.499.722	--	--
• Past due (gross book value)	--	856.711	--	--
• Impairment (-)	--	(856.711)	--	--
• Covered portion of net book value (with letter of guarantee etc,)	--	--	--	--
• Undue (gross book value)	--	--	--	--
• Net carrying value of impaired assets	--	--	--	--
• Covered portion of net book value (with letter of guarantee etc,)	--	--	--	--
D. Off balance sheet items with credit risks	--	--	--	12.901.417

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

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

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

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

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

29.2.2 Credit risk (Continued)

At 31 December 2013 past due but not impaired accounts receivables (except due from related parties) are as follows:

31 December 2013	Receivables		Deposits on Banks	Other
	Trade Receivables	Other Receivables		
Past due 1-30 days	4.893.416	--	831.553	12.901.417
Past due 1-3 months	1.060.227	--		
Past due 3-6 months	1.326.306	--		
More than 6 months	219.773	--		
The portion secured by guarantee**	6.187.416	--		

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

Detail of credit risk as of 31 December 2012 is as follows:

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

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

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

29.2.2 Credit risk (Continued)

As at 31 December 2012, past due but not impaired accounts receivables (except due from related parties) are as follows:

31 December 2012	Receivables		Deposits on Banks	Other
	Trade Receivables	Other Receivables		
Past due 1-30 days	3.227.321	--	891.811	15.191.195
Past due 1-2 months	2.628.579	--		
Past due 3-6 months	1.060.121	--		
More than 6 months	517.201			
The portion secured by guarantee**	6.910.438	--		

*** At 31 December 2013, the Company has guaranteed its receivables by letter of guarantee amounting to TL 266,785 (2012: TL 297,043), direct debit system guarantees amounting to TL 4,575,776 (2012: TL 4,201,550), mortgage amounting to TL nil (2012: TL 15,508), Eximbank guarantee amounting to TL 1,344,855 (2012: TL 1,764,519). At 31 December 2013 and 2012 the Company has not utilized all these guarantees by means of collecting its receivable balances in cash terms.*

29.2.3 Guarantees

In accordance with the Company policy, total guarantees amounting to TL 12,901,417 (2012: TL 15,191,195) are given to custom offices, domestic supplier, banks and tax offices.

29.2.4 Currency risk

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

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

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

29.2.4 Currency risk (Continued)

As at 31 December 2013 and 2012, net position of the Company is resulted from foreign currency assets and liabilities:

Currency Position						
	2013			2012		
	TL	USD	Euro	TL	USD	Euro
1. Trade receivables	8.914.265	3.367.509	588.112	14.299.744	7.239.837	592.767
2a. Monetary financial assets	8.813.954	4.106.104	17.128	462.628	235.808	17.977
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	--	--	--	--	--	--
4. Current Assets (1+2+3)	**17.728.219**	**7.473.613**	**605.240**	**14.762.372**	**7.475.645**	**610.744**
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. Non-Current Assets (5+6+7)	**--**	**--**	**--**	**--**	**--**	**--**
9. Total Assets (4+9)	**17.728.219**	**7.473.613**	**605.240**	**--**	**--**	**--**
10. Trade payables	(1.656.106)	(468.622)	(223.370)	(4.453.556)	(1.253.405)	(943.673)
11. Financial liabilities	(4.209.533)	(1.588.070)	(279.283)	(4.686.620)	(2.174.404)	(344.656)
12a. Monetary financial liabilities	--					
12b. Non-monetary financial liabilities	--					
13. Short Term Liabilities (10+11+12)	**(5.865.639)**	**(2.056.692)**	**(502.653)**	**(9.140.176)**	**(3.427.809)**	**(1.288.329)**
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	--	--	--	--	--	--
16a. Monetary financial liabilities	--	--	--	--	--	--
16b. Non-monetary financial liabilities	--	--	--	--	--	--

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

29.2.4 Currency risk (Continued)

As at 31 December 2013 and 2012, net position of the Company is resulted from foreign currency assets and liabilities:

Currency Position						
	2013			2012		
	TL	USD	Euro	TL	USD	Euro
17. Long Term Libilities (14+15+16)	--	--	--	--	--	--
18. Total Liabilities (13+17)	(5.865.639)	(2.056.692)	(502.653)	(9.140.176)	(3.427.809)	(1.288.329)
19. Off-Balance sheet financial derviative net asset (liability) position (19a-19b)	--	--	--	--	--	--
19a. Off-balance sheet foreign currency derivative assets	--	--	--	--	--	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--	--	--	--
20. Net foreign currency asset (liability) position (9-18+19)	11.862.580	5.416.921	102.587	5.622.196	4.047.836	(677.585)
21. Monetary items net foreign currency asset (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	11.862.580	5.416.921	102.587	5.622.196	4.047.836	(677.585)
22. Total fair value of financial instruments used for currency swap	--	--	--	--	--	--
23. Hedged amount of foreign denominated assets	--	--	--	--	--	--
24. Hedged amount of foreign denominated liabilities	--	--	--	--	--	--

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

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

29.2.4 Currency risk (Continued)

Currency Sensitivity Analysis 31 December 2013				
USD: 2,1343	Profit/Loss		Equity	
EURO: 2,9365	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL				
1-Net USD asset/liability	1.156.133	(1.156.133)	1.156.133	(1.156.133)
2-USD risk averse portion (-)	--	--	--	--
3-Net USD Effect (1+2)	**1.156.133**	**(1.156.133)**	**1.156.133**	**(1.156.133)**
Assumption of devaluation/appreciation by 10% of Euro against TL				
4-Net Euro asset/liability	30.125	(30.125)	30.125	(30.125)
5-Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	**30.125**	**(30.125)**	**30.125**	**(30.125)**
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7-Other currency net asset/liability	--	--	--	--
8-Other currency risk averse portion (-)	--	--	--	--
9-Net other currency effect (7+8)	--	--	--	--
Total(3+6+9)	**1.186.258**	**(1.186.258)**	**1.186.258**	**(1.186.258)**

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

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

29.2.4 Currency risk (Continued)

Currency Sensitivity Analysis 31 December 2012				
USD: 1.8889	Profit/Loss		Equity	
AVRO: 2.4438	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL				
1-Net USD asset/liability	721.567	(721.567)	721.567	(721.567)
2-USD risk averse portion (-)	--	--	--	--
3-Net USD Effect (1+2)	**721.567**	**(721.567)**	**721.567**	**(721.567)**
Assumption of devaluation/appreciation by 10% of Euro against TL				
4-Net Euro asset/liability	(159.348)	159.348	(159.348)	159.348
5-Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	**(159.148)**	**159.348**	**(159.148)**	**159.348**
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7-Other currency net asset/liability	--	--	--	--
8-Other currency risk averse portion (-)	--	--	--	--
9-Net other currency effect (7+8)	--	--	--	--
Total(3+6+9)	**562.219**	**(562.219)**	**562.219**	**(562.219)**

For the year ended 31 December 2013 and 2012, total import and export of the Company comprised the following:

	2013	2012
Total exports	59.960.208	58.908.369
Total imports	101.767.671	103.967.876

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

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

29.2.5 Liquidity risk

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

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

	31 December 2013					
Maturity per agreements	**Book Value**	**Total contractual cash outflows**	**0-3 Months**	**3-12 Months**	**1-5 Years**	**5 years and More**
Non-derivative financial liabilities	52.525.448	52.525.448	52.203.201	322.247	--	--
Short term payables	22.022.085	22.022.085	22.022.085	--	--	--
Trade and other payables	27.793.653	27.793.653	27.793.653	--	--	--
Due to related parties	322.247	322.247	--	322.247	--	--
Other short term provisions	2.273.515	2.273.515	2.273.515	--	--	--
Other short term liabilities	113.948	113.948	113.948	--	--	--

Maturity per agreements	31 December 2012					
Non-derivative financial liabilities	45.710.497	45.710.497	45.320.095	390.042	--	--
Short term payables	14.476.383	14.476.383	14.476.383	--	--	--
Trade and other payables	27.464.673	27.464.673	27.464.673	--	--	--
Due to related parties	390.402	390.402	--	390.402	--	--
Other short term provisions	3.280.377	3.280.377	3.280.377	--	--	--
Other short term liabilities	98.662	98.662	98.662	--	--	--

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

29.2.6 Determination of Fair Values

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

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

Trade receivable and payables

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

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

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

Fair values of financial liabilities

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

Other

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

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

According to extraordinary General Assembly held on 30 September 2013, it was resolved that, Board of Directors was authorized for the sale of property regarding a factory and three premises located at Dudullu Organized Industrial Zone, Plate 30, Parcel 6433 with total area of 20, 897 m2, Açmalar Street, Second Region Village Eriklipınar, Dudullu Disctrict, Ümraniye/ İstanbul.

On 16 January 2014, sale of property was completed based on a total cash consideration of USD 21.1 million (Note 10).

IZOCAM TİCARET VE SANAYİ A.Ş.
COMPLIANCE REPORT FOR CORPORATE MANAGEMENT PRINCIPLES

SECTION I – COMPLIANCE STATEMENT TO CORPORATE MANAGEMENT PRINCIPLES

It is complied with obligatory principles within "the Communiqué on Determination and Application of the Corporate Management Principles" no.II-17.1 of the Capital Market Board. As well as it is aimed to comply with non-obligatory Corporate Management Principles, it is still not complied with a part of them due to some reasons such as difficulties in practice and not overlapping some principles with current structure of the market and the company. It is explained below the extensive efforts executing in frame of the corporate management principles within our company and no complied principles at the relevant departments and if any conflicts of interest arising from it.

Studies on compliance with the corporate management principles of the Capital Market Board and relevant legislation are the leading of studies in the Corporate Management field. All amendments prescribed at the communiqué in the Articles of Association of our Company were made at the Ordinary General Assembly meeting in 2013, the process related to determination of the independent member candidates and announcement to the public was realized, the election was completed in accordance with the regulations. The established board committees started to their activities efficiently. The profit distribution policy of the Company was determined and submitted to the shareholders' information. Principles of the wage system for the Board of directors and Top Executives were determined and submitted to the shareholder's information during the General Assembly meeting, It was informed to the shareholders about the donation and support policy of the Company. It was submitted the general assembly informative documents and information about the general assembly such as right to vote which is compulsory to disclose according to the principles, organizational changes, CVs of the Board Member candidates, wage policy for the Board of Directors and Top Executives before 3 weeks to our investors for information. All operations about related parties were submitted to information of Board of Directors and it was resolved to continue the said operations. However, the website and the activity report of our Company were reviewed and realized the required revisions in terms of exact compliance to the principles.

SECTION II – SHAREHOLDERS

2.1. Investor Relations Department

It is executed by a responsible department created within Deputy General Manager in charge of Financial and Administrative Affairs in Izocam Ticaret ve Sanayi A.Ş. Main activities executed by the department are:

- *It was provided to keep healthy, confidently and actual the correspondences between the investors and the partnerships and to keep records related to other information and documents.*
- *No any application to our department in written by the shareholders during the period.*
- *It was provided to do the ordinary and extraordinary general assembly meetings in accordance with relevant legislation, the articles of association and other regulations in the partnership by preparing the documents which would be submitted to the shareholders' information and examination for the General Assembly meeting.*
- *The obligations arising from the Capital Market Legislation including all kind of matters about the corporate management and the public disclosure were fulfilled and followed.*
- *It was provided to execute relations with the shareholders regularly and regular and reliable information access about the company in scope of the information policy.*
- *It was provided to inform the shareholders speedy and completely with updating of some information such as website of the company, activity report, investor presentations, profit announcements, etc.*
- *The obligatory web site in scope of Turkish Commercial Code was created and published on the e-company.*
- *In consideration with the Capital Market Law and its communiqués, the required Special Status Statements were announced through the Public Disclosure Platform.*
- *The prior permissions for time extension of 5 years about the Articles of Association amendments and amount of paid capital were obtained and submitted to approval of the General Assembly.*

SECTION II – SHAREHOLDERS (Continued)

- *The amendments in the Capital Market Law and the relevant legislation were followed and submitted to the attention of relevant departments of the Company.*
- *Information demands of undergraduate, graduate students and academicians who researched about our Company and the sector were fulfilled.*

Mr. Doruk Özcan, Investor Relations Department Manager and Accounting Manager who is a full-time manager reported to Mr. Hasan Eröktem, Deputy General Manager in charge of Financial and Administrative Affairs has an Advance License for Capital Market Activities and a License for Corporate Management Rating Specialist.

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There is no any application in written to our department by the shareholders within the period.

2.2 Usage of Right to Information for Shareholders

The Investor Relations Department as well as the partnership organs in İzocam Ticaret ve Sanayi A.Ş. play an active role in especially rights to demand information and examination and simplification of usage of share ownership right.

All kind of information and explanations which may affect usage of the rights are presented to usage of the investors on the corporate website of the Company (www.izocam.com.tr) as updated in order to enlarge the right to information of shareholders.

There is no any regulation in the Articles of Association of the Company about demand of special auditor appointment, in return, the Company management avoids any operation which makes difficult the special audit and there is no any demand for special audit appointment within the period.

The Company activities were audited by the Independent External Auditor (Akis Bağımsız Denetim ve Mali Müşavirlik A.Ş.- KPMG) periodically appointed by the General Assembly within the period and given the required explanations related to these matters on the website of the Company.

2.3 General Assembly Meetings

In 2013, the General Assembly convened twice as ordinary and extraordinary. All right holders and stakeholders as well as media organs were invited to the General Assembly meetings. Quorum was ensured during both of meetings.

SECTION II – SHAREHOLDERS (Continued)

In the Ordinary General Assembly, it was unanimously resolved as follows: "Article 7- Capital", "Article 9-Increasing and Decreasing the Capital, Capital Increase within the Registered Capital Ceiling, Preferental Subscription", "Article 10- Re-Determination of the Registered Capital Amount", "Article 13 Provisions Related with the Board of Directors", "Article 14-Board Meetings", "Article 15- Company Management and Representation", "Article 16-Auditors", "Article 17-Duties and Obligations of Auditors", "Article 18-General Assembly Meetings", "Article 19-Venue of Meeting", "Article 20-Quorum", "Article 21- Representative of the Ministry", "Article 22- Number of Votes", "Article 23-Representation by Proxy", "Article 24-Voting Method", "Article 25-Announcements", "Article 26 -Amendment of Articles of Association", "Article 27-Issuing of Bonds and other Securities", "Article 28- Documents to be Submitted to the Ministry", "Article 30–Profit Distribution", "Article 30/A- Other Payments" included "Article 32-Termination and Dissolution" in the Articles of Association was Amended; as well as the removal of articles "31 - Reserve Fund and Article" and "33- Arbitration and Jurisdiction". These amendments were registered in Istanbul Trade Registry Office on 04.04.213 and announced in Turkish Trade Registry Gazette on 10th April 2013 (Pages 915 and 916).

It was resolved to authorize the Board of Directors during Extraordinary General Assembly meeting convened on 30 September 2013 in order to fulfill all procedures for sales of property consisting of masonry plant and three outbuildings having surface are of 20.897 m at Istanbul province, Ümraniye district, Y.Dudullu street 2nd Region Village, Eriklipınar Açmalar Street (Dudullu Organized Industrial Zone), section no.30/Parcel No: 6433 registered in assets of company and the Board of Directors appointed the company management about sales of the said property.

Invitation to the General Assembly meetings was made by the Board of Directors according to provisions of the Turkish Commercial Code (TCC), the Capital Market Law and the Articles of Association of the Company. When it is resolved to convene the General Assembly by the Board of Directors, the required calls and explanations through the Public Disclosure Platform, as of 2013, it is started to make invitations and announcements as well as attendance and voting for the General Assembly meetings by using Electronic General Assembly System (EGAS) within the Central Registry Agency. The meeting announcements are published in the Turkish Trade Gazette, the Public Disclosure Platform and the Electronic General Assembly System and on the website of our Company. It is specified the address where the audited financial statements independently are open to examination.

However, it is announced notably to the investors on the website www.izocam.com.tr and the Public Disclosure Platform before minimum three weeks ago as well as announcement of the General Assembly meeting, in frame of article 437 of the Turkish Commercial Code, documents to be kept available to examination of the shareholders and obligatory statements and explanations according to the relevant legislation; information about total number of shares and right to vote which reflect structure of the partnership, management and activity revisions which realized in previous fiscal periods or planned may affect significantly the partnership activities as of the explanation date and reasons of these changes; about information if there is any dismissal, change or election of the board of directors on the agenda of the general assembly meeting, reasons of the dismissal and change, CVs of the candidates informed to the partnership, tasks executed in recent ten years by them and their dismissal reasons, the relation qualification between partnership and related parties of the partnership and its importance level, whether they are independent or not and in case of electing such persons as Board Members, similar matters may affect the partnership activities; demands of the shareholders of the partnership forwarded in written to the Investor Relations Department for putting an item to the agenda, if the Board of Directors does not accept the shareholders' suggestions about the agenda, the not accepted suggestions and refusal reasons, in case there is any amendment of the articles of association on the agenda, former and new texts of amendments of the articles of association with the related board of directors resolution.

SECTION II – SHAREHOLDERS (Continued)

Each shareholder begins to speak at the General Assembly meetings can opine about the company activities and ask to the company management and demand information and during the meeting, the required answers and explanations are given to them.

At the General Assembly meetings in 2013, it was considered the suggestions made by the controlling shareholders of the Company.

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

The General Assembly minutes are published on our website, in addition, such minutes are open to examination of our shareholders in the head Office, if our shareholders demand, copies of them can be given.

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

The Company informs the shareholders by putting agenda items about donation and supports at ordinary general assembly meetings.

2.4 Rights to Vote and Minority Rights

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

There is no any member representing the minority at the management of the Company.

2.5 Right to Profit Share

There is no any privilege in the Articles of Association about participation to the Company profit.

The profit distribution policy of our company; our Company distributes dividend to the shareholders on provided that it is not less than the calculated distributable profit according to communiqués of the Capital Market Law in consideration of its long-term strategies, investment and finance plans and profitableness situation. Complete of the distributed dividend may be in cash or bonus share (by supplying from the Company resources) as well it may be partly in cash and partly bonus share.

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

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

2.6 Transfer of Shares

There is no any provision which makes difficult and restricts transfer of shares freely in our Articles of Association.

SECTION III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. The Corporate Website and its Content

Our Company publishes the financial statements given to the Capital Market Board and explanations made through the Public Disclosure Platform on its official website www.izocam.com.tr as Turkish and English in order to maintain the investor relations efficiently and quickly, to contact with the shareholders continuously. On the website of the Company, it is given place to the following matters determined in the corporate management principles as Turkish and English.
"Information Society Services, Trade Registry information, partnership and management structure of the Company, the Articles of Association of the Company as well as numbers and dates of Turkish Trade Registry Gazette where the amendments are published, Special Status Explanations, financial reports, Activity Reports, other public disclosure documents, invitations for the General Assembly meetings, their agenda, form of voting by Proxy, explanations about the agenda, list of attendants, meeting minutes, the Corporate Management applications and compliance report, finance information, periodical financial statements and independent audit reports, the profit distribution policy, the information policy, the code of conducts, frequent asked questions, information about members of the Audit Committee, the Corporate Management Committee and the Risk Early Determination Committee and working principles of these Committees, information about the Board Members and the top executives". The information disclosed to public is submitted to usage of the public through "the Public Disclosure Platform" and on the website www.izocam.com.tr) of our Company in the way that on time, accurately, completely, understandable, interpretable and low-cost in order to help persons and corporations which will benefit from the explanations about their decisions.
The General Management and Deputy General Management in charge of Financial and Administrative Affairs are responsible departments for the public disclosure. Announcements and information are announced to the public via all kind of communication instruments including e-communication as well as methods prescribed in the legislation with required frequencies in order to provide accessing to as much as possible shareholders in consideration of minimum periods determined in provisions of Turkish Commercial Code, the Capital Market Law and other relevant legislation.
Our Company publishes the financial statements given to the Capital Market Board and explanations made through the Public Disclosure Platform on its official website www.izocam.com.tr as Turkish and English in order to maintain the investor relations efficiently and quickly, to contact with the shareholders continuously.

3.2. Activity Report

The Board of Directors has prepared the detailed activity report in order to provide the public accessing to full and correct information about activities of the Company. The activity report is prepared in accordance with the corporate management principles.

SECTION IV – STAKEHOLDERS

4.1. Informing of the Stakeholders:

In cases of the stakeholders are not protected by relevant legislation and mutual contracts on operations and activities, interests of the stakeholders are protected in frame of good faith rules and according to the company opportunities.

The Company explained its compensation policy for the employees on www.izocam.com.tr to the public. The stakeholders related to the Company are informed by inviting to meetings or using telecommunication instruments on matters related to them, if necessary.

SECTION IV – STAKEHOLDERS (Continued)

4.2. Codetermination of the Stakeholders

Our prior and indispensable target is the customer satisfaction on marketing and selling the goods and services. The customer satisfaction is reported and followed regularly, if necessary, the policy is changed.

4.3. Human Resources Policy

There is a Human Resources and Industrial Relations Management within our Company.

Criteria for employment and advancement mechanism in scope of the human resources policy was determined in written at our company and our aim as Human Resources process is to keep to principles of;

- *Right person for right job*
- *Equal wage for equal work*
- *Merit depending on success*
- *Equal opportunity for all*

to develop continuously competence of our human power and to keep our persistent superiority in the global competition environment. Process of the human resources systems determined for these purposes are identified by procedures and announced to all employees.

It is treated fairly about all rights provided to the employees, is realized training programs for increase of knowledge, ability and manner of employees and created training policies. It is compared notes by informative meetings for the employees on financial situation of the Company, wage, carrier, training, health, etc.

Job definitions and distribution and performance and awarding criteria of the Company employees are announced to its employees. It is considered performance for determination of wages and other benefits given to employees.

The company created wage and compensation policies for its employees and put on its website. We did not take any complaint from employees of the Company about discrimination.

The Company encourages to put into use the planned and systematic works in scope of the Occupational Health and Safety TS 18001 by providing integrity between the legislation and processes with reference to "value given to employees" which is one of the most important factors.

4.4. Codes of Conduct and Social Responsibility

Our Company makes the required operations and regulations for being complied with codes of conduct on the activities and being applied these codes by its employees. It is complied with generally accepted codes of conduct in the light of the legislation and regulation for this matter. However, in scope of the Corporate Management Principles, as of 14 February 2012, "the Operations and Conduct Principles constitute the ethic values of Izocam" were put in writing and published on the website and disclosed to public. It was given training to the personnel by the top management about our principles and also provided training of employees about the subject on internet via "e-learning" method and the trainings were recorded. In this scope, it is created an Ethic Committee within the Company for applying and protecting these values.

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

It is taken care confidentiality of information in scope of trade secret related to customers and suppliers.

SECTION V - BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

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

In 2013, Mr. William Mark Schmitz resigned and Mr. Robert Etman was elected by the Board of Directors for opened Board Membership to function up to first general assembly.

It is submitted below backgrounds of the Board Members selected at the General Assembly meeting dated 25 March 2013 and continuing to their tasks within the period:

MR GIANNI SCOTTI

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

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

MR SAMİR KASEM

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

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

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

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

SECTION V - BOARD OF DIRECTORS (Continued)

MR MARK SCHMITZ

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

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

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

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

Mark Schmitz has not a performance task, is Board Member of Izocam Holding A.Ş. which is a Saint Gobain/ Alghanim Partnership and he is not an independent member and he resigned from the Board Membership on 25 November 2013 and Mr. Robert Etman was appointed a new Board Member.

MR ROBERT ETMAN

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

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

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

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

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

SECTION V - BOARD OF DIRECTORS (Continued)

MR ARNAUD MOISSET

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

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

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

MR ARİF NURİ BULUT

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

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

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

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

SECTION V - BOARD OF DIRECTORS (Continued)

GÜLSÜM AZERİ

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

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

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

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

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

MR POL ZAZADZE

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

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

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

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

SECTION V - BOARD OF DIRECTORS (Continued)

Independency Statements of Independent Board Member Candidates;

Mrs Gülsüm Azeri and Mr. Pol Zazadze have signed the following declarations and given to our Company.

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

a) it was not established directly or indirectly employment, capital relations or important trade relation in recent five years between the Company, one of related parties of the Company or legal persons who have management and capital relations with shareholders having 5 % or more shares directly or indirectly in the Company capital and me, my spouse, my relatives up to third degree,

b) I did not worked and not served as a Board Member in recent five years for especially companies which audited, rated and consulted to the Company and also companies which executed activities and organizations of the Company partly or completely in frame of agreements,

c) I am not a partner, an employee or a Board Member at any of firms supplying service and products significantly to the Company in recent five years.

d) I have share less than 1 % in Company capital and they are not privileged shares/ I have not share in the Company capital,

e) As seen from my background enclosed, I have professional education, knowledge and experience to perform my duties due to the independent Board Membership,

f) I do not work as full-time at public institutions and corporations as of the current situation,

g) I am deemed a resident in Turkey according the Income Tax, ,

h) I can contribute positively to the Company activities, will keep my objectivity for conflict of interest between the shareholders, will decide freely in consideration of rights of the stakeholders.

It is obtained approval from the General Assembly under articles 395 and 396 of Turkish Commercial Code about the Chairman and Board Members make the activities entering to subjects of the Company personally or on behalf of other persons and become partners to the companies make such activities.

5.2. Activity Principles of the Board of Directors

Powers and responsibilities of the Board Members are specified clearly in the Articles of Association. The powers are well-specified in specimen signature of the Company and all kind of resolutions are valid with minimum two authorized signatories.

The Chairman and General market are not same persons.

Agenda of the Board of Directors meetings are determined upon the matters which should be resolved by Board of Directors according to Articles of Association were informed by relevant departments to the Board Members and the top executives. Other than it, the meeting agenda is also determined upon any of Board Members inform the resolving matter about a specific subject to the Top Management of the Company.

SECTION V - BOARD OF DIRECTORS (Continued)

The required subjects to discuss in the Board of Directors meetings are gathered at department of Deputy General Management in charge of Financial and Administrative Affairs and formed the agenda by consolidating.

The Deputy Manager in charge of Financial and Administrative Affairs was appointed in order to determine the agenda of Board of Directors meetings of Izocam Ticaret ve Sanayi A.Ş., to prepare resolutions of the Board of Directors given accordance with provision of article of 390/4 of the Turkish Commercial Code, to inform the Board Members and to provide the communication.

The Board of Directors convenes if necessary and resolves majority of attended Board Members, provisions of article 390/ 4 of the Turkish Commercial Code are reserved. Validity of Board of Directors resolutions are subject to being written and signed.

Different opinions and negative vote reasons explained during the Board of Directors meetings are recorded to the resolution minutes. However, recently, due to such opposition or different opinion was not declared, it was not made any explanation to the public.

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

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

The Board Members elected during the General Assembly Meeting convened on 25 March 2013 has met on 26 March 2013 and done task sharing. For the audit committee membership, it has been appointed Ms. Gülsüm Azeri and Mr. Pol Zazadze who were independent Board Members, for the Corporate Management Committee membership, it has been appointed Mr. Pol Zazadze who was independent Board Member and Mr. Arnaud Jacques Gerard Moisset and William Mark Schmitz who ware non-independent Board Members.

The Risk Early Determination Committee was formed on 3 April 2013 and specified its principles and appointed Mr. Pol Zazadze and Mr. Arnaud Jacques, Mr. Gèrard Moisset and Mr. William Mark Schmitz as members.

On 25 November 2013, Mr. William Mark Schmitz resigned from Board Membership and committee membership and new elected Mr. Robert Etman is continuing the Corporate Management Committee and Risk Early Determination Committee memberships as well as the Board Membership.

In consideration of current structure of the Board of Directors, it was resolved to being performed tasks of the Nomination Committee and the Wage Committee by the Corporate Management Committee.

The Committee in charge of Audit convened seven times within the year and submitted the financial reports and other assessments under the working principles to the Board of Directors. The Corporate Management Committee convened three times within the year and submitted the offers and minutes to the Board of Directors. The Risk Early Determination Committee also convened on 1 July 2013 and submitted the company assessment report to the Board of Directors.

5.4.Risk Management and Interior Control Mechanism

The Board of Directors has formed the Risk Early Determination Committee and appointed an Interior Audit Specialist in order to minimize the risks effects about stakeholders and to keep efficiency of interior audit systems within operational activities and information systems process.

SECTION V - BOARD OF DIRECTORS (Continued)

The Corporate Management Committee has requested to start a work for taking out business maps about the operational activities, determining the risks of process and completing the control activities in order to provide integration of the risk management and interior control systems to the corporate structure of the company and to manage possible risks effectively. Upon request of the committee, as firstly basic processes in 2013, the effective processes on the company operations have been determined within the company, risk-control matrix has been started to create for such processes. The completed processes were shared with the Risk Early Determination Committee and the criteria about determination and management of the risks was submitted to opinion of the committee members.

Purpose of Izocam risk management model is to prescribe possible negativity in case the risks are realized, to assess the current controls and to execute management of risks effectively by means of additional controls, if necessary. The Company formed the Risk Management Table in order to follow the risks. The analysis for critical processes was completed. In addition to it, it was prepared a Reference Book of Izocam Interior Control System covering interior control activities providing efficiency of the risk management process in order to increase awareness within the Company and to be a guide to the users.

Efficiency of the interior control system is tested through the inter-corporate controls, the personnel in charge of interior control works under the General Manager, is in contact directly with the Audit Committee and Risk Early Determination Committee.

5.5. Strategic Targets of the Company

The Board of Directors of the Company determines the Company strategies by making long-term and short-term plans. In the said plans, the markets engaged are examined, necessary investments and other requirements are determined and the resolutions are generated by discussion about resources to be allocated in order to realizing them.

The long-term plans of the Company are made within first six-month period of each year to cover five-year periods and to include previous five-year trends.

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

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

5.6. Financial Rights

It was submitted “Wage Policy for Board Members and Top Executives” consisting of all kind of rights, interest and wages provided to Board Members and top executives and criteria used to determine them and wage system principles to our shareholders on our website via “the Information Document” published before three weeks from the Ordinary General Assembly meeting dated 25.03.2013 and it was started to apply following the General Assembly meeting.

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

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

SECTION V - BOARD OF DIRECTORS (Continued)

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

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

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

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

- *Premium Base: The Premium Base is updated at beginning of every year, it varies according to positions of the executives and work volume.*

- *Company Performance: The Company performance is achieved with measurement of financial, customers, employees, technology and corporate capability targets given to the Company at beginning of every year. While it is specified the Company targets, it is considered importantly sustainable success, more improvement than previous years.*

- *Individual Performance: On determination of the individual performance, it is considered the realization situation of the individual targets in parallel with the Company performance as well as company targets.*

The amounts determined according to the above-mentioned principles and paid to the Board Members and the Top Executives within the year are in the activity report and are included to agenda of the Ordinary General Assembly meeting in 2013 and the shareholders will be informed.

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

CORPORATE MANAGEMENT COMMITTEE

POL ZAZADZE　　ARNAUD JACQUES GÈRARD MOISSET　　ROBERT ETMAN

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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

İZOCAM

NOTE