

2017
ANNUAL REPORT



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ACTIVITY REPORT OF İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ PRESENTED TO THE 53TH GENERAL ASSEMBLY OF SHAREHOLDERS HELD ON 21st MARCH 2018

Istanbul Trade Registry	: 90639
Mersis No: (Central Registry System)	: 0484002307900018
Web Address	: www.izocam.com.tr
E-Mail	: izoposta@izocam.com.tr
Registered Capital Ceiling	: 60.000.000,- (Sixty Million Turkish Lira)
Issued Capital	: 24.534.143,35 TL (Twenty four million five hundred thirty four thousand one hundred forty three Turkish Lira thirty five Turkish Kuruş)

Only the ones that have experienced the comfort for 53 years will understand...

With its innovative vision, Izocam has developed the Multi-Comfort System that offers custom insulation solutions regarding your needs and turns your investments into profit and comfort. By using the latest technology, Izocam's Multi-Comfort System keeps the cold, heat, humidity, noise and polluted air insulated in residential and commercial buildings. By doing so it also increases your comfort of living. It protects your economic comfort by decreasing the heating-cooling costs of your living space and minimising your building maintenance due to corrosion. It helps you to decrease the carbon level you release into the environment by using less energy throughout the year. With Izocam's Multi-Comfort System that offers perfect insulation, you can invest in your living areas too.

İzocam At A Single Glance

Izocam, leading insulation company, of its sector.

BRIEF HISTORY

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

The first factory of İzocam A.Ş, Turkey's insulation industry leader, has entered into service in 1967 at Gebze by producing glass wool. A second glass wool factory was founded in Tarsus in 1986 and its capacity was doubled in 1992. Due to the increase in glass wool capacity of Tarsus plant; production at Gebze was switched to stone wool in 1993.

Currently, our total mineral wool capacity is 130,000 ton/year with 55,000 ton/year of glass wool production and 75,000 ton/year of stone wool production. İzocam produces glass wool under Saint-Gobain Isover France License and with TEL process and stone wool under Saint-Gobain Isover G+H AG Germany License and with Sillan process.

İzocam begin to produce expanded polystyrene (EPS) under the brand name of İzopor in its facility founded at Gebze in 1982. Total capacity is 6,000 ton/year.

İzocam started its Extruded polystyrene (XPS) production under the brand name of Foamboard in 1995 at Gebze plant with 90,000 m³ annual capacity and total capacity has been reached to 720,000 m³/year with the new investment made in Gebkim in 2011.

Production of elastomeric rubber foam İzocamflex that was started with a 500 ton/year of capacity in Eskişehir Plant on April 2000 and has reached to a capacity of 4,000 ton/year today. Moreover, the annual capacity of polyethylene foam, which has been produced as of 2005 at Eskişehir İzocam Plants under the brand name of İzocam Peflex, is 700 ton/year.

At Tekiz Sandwich Panel Plants founded within the body of Koç Group in 1966 and included into İzocam in 2005, Mineral Wool Panel, Trapezium and Polyurethane Panel insulated roof - facing sheets and Cold Storage Panel products are manufactured under the brand name of İzocam Tekiz with various features, at required color and paint type. Tekiz Plant has an annual capacity for 4,000,000 m² panel and 3,000,000 m² sheet processing.

İzocam, has gathered its XPS, EPS and Tekiz panel productions in Gebkim Plants which was put into operation in 2011. There is also XPS production line in our Tarsus Plant.

İzocam produces high technology products in line with international standards and provides foreign exchange inflows to our country by exporting these products to 46 countries as the Balkans, Commonwealth of Independent States, Turkic Republics, Middle East and Africa being in the first place. Today, İzocam is the leader of insulation sector with its technical consulting services and wide range of products providing protection against heat, cold, sound, fire and water. İzocam that meets the customer demands and expectations in a timely manner and



İzocam produces high technology products in line with international standards and provides foreign exchange inflows to our country by exporting these products to 46 countries, Balkans, Commonwealth of Independent States, Turkish Republics, Middle East and Africa being in the first place.

environmentalist approach in accordance with the global standards, applies ISO 9001 Quality Assurance System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety System and ISO 50001 Energy Management System in its plants. İzocam products are offered to the market with CE mark which means “material allowing the product to meet the basic requirements stated in regulation” according to the article 6 of International Construction Materials Directive. Besides, mineral wools; stone wool and glass wool products of İzocam have EUCEB Certificate that is given only to bioproducts.

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

Our controlling shareholder İzocam Holding A.Ş., which is recorded in Istanbul Trade Registry with number 6055864 and resident in Ahular Sokak No.15 Etiler – İstanbul, has been founded on 14th November 2006 and its capital amounting to 401,874,000.- TL and its shares have been equally divided between Alghanim İzolasyon Yatırım A.Ş. and Saint Gobain Weber Yapı Kimyasalları San. ve Tic. A.Ş.

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

Capital And Share Holding Structure

We use our energy efficiently with the synergy we create.

The registered capital ceiling of our Company is 60 Million TL and its issued capital is 24,534,143.35 TL. There has not been any change in the issued capital of our company within the period.

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

- 241,96% over the paid capital in 2015
- 52,58% over the paid capital in 2016
- 0% over the paid capital in 2017

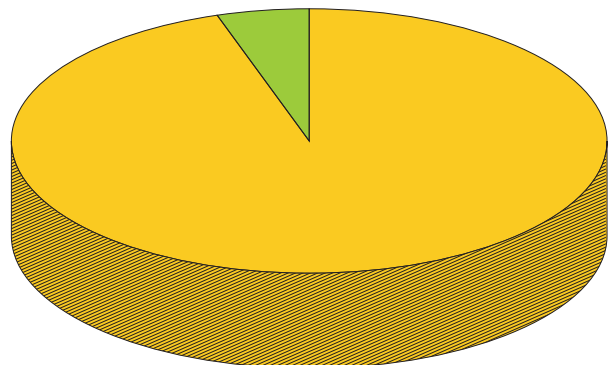
The dividend policy of our company is based on maximum profit distribution.

Issued capital of the Company is TL 24,534,143.35 and it has been fully paid and covered. Issued capital has been divided into 2,453,414,335 shares each with a par value of kr 1 (one kuruş) and there is no privileged share in company capital. Every share has one right to vote and we have nearly four thousand partners, majority of which are real persons, for the part company capital that is open to public.

As of 31st December 2017, the partnership structure of our company has not changed; currently controlling shareholder İzocam Holding Incorporated Company's share in our capital is 95,07%, together with 831,117.304 shares corresponding to 33,91% of the capital of our company and which is traded on Istanbul Stock Exchange and acquired from Istanbul Stock Exchange until 10th July 2007 and plus 1,501,330.396 shares corresponding to 61.16 % of the

capital of our company and which is not traded on Istanbul Stock Exchange and acquired from Koç Group on 29th November 2006. İzocam Holding Incorporated Company is a partnership that is subject to joint management which Compagnie de Saint Gobain Group and Alghanim Group has established together and the share percentages of both parties are fifty percent each.

Capital and Share Holding Structure



	İZOCAM Holding A.Ş.	Free Float	Total
	23.324.476,84	1.209.666,51	24.534.143,35
	95,07%	4,93%	100%

DO NOT LEAVE COMFORT TO LUCK

Multi Comfort Houses which reduce energy consumption up to 90 % and minimize CO₂ emission is the center of the Izocam's sustainable structures developing strategy.



Save up to
90%

**Indoor Air
Quality**

**Thermal
Insulation**

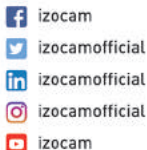
**Fire
Protection**

**Acoustic
Comfort**



- Annual heating energy requirement is less than 15kWh / (m² year)

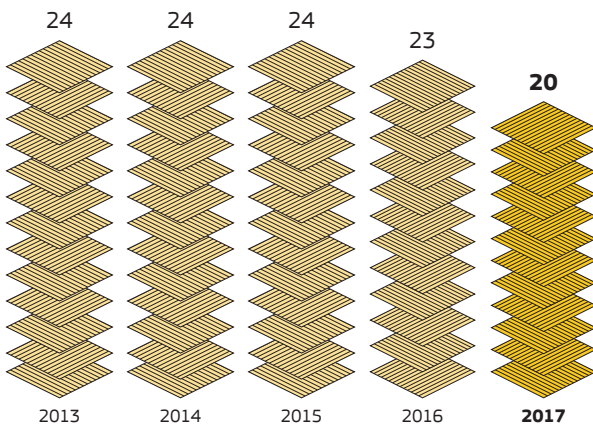
www.izocam.com.tr



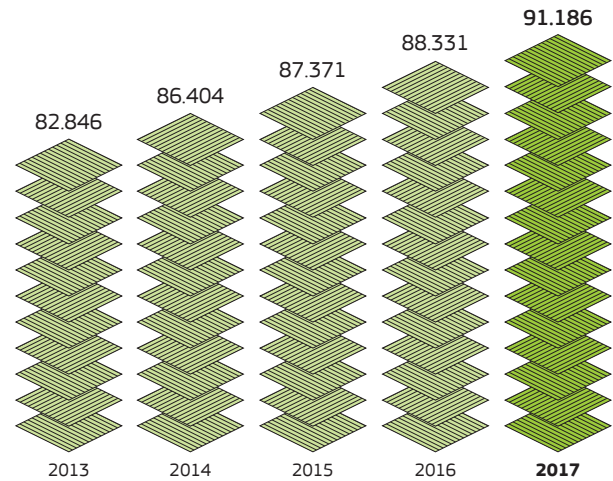
Key Indicators

We have increased our sales by 18,5% in 2017.

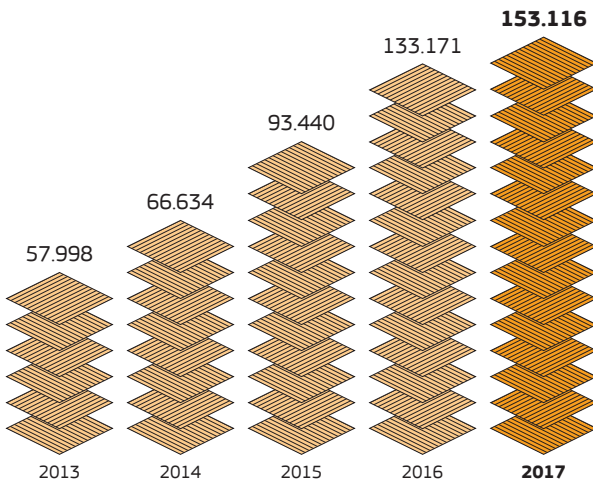
Gross Margin (%)



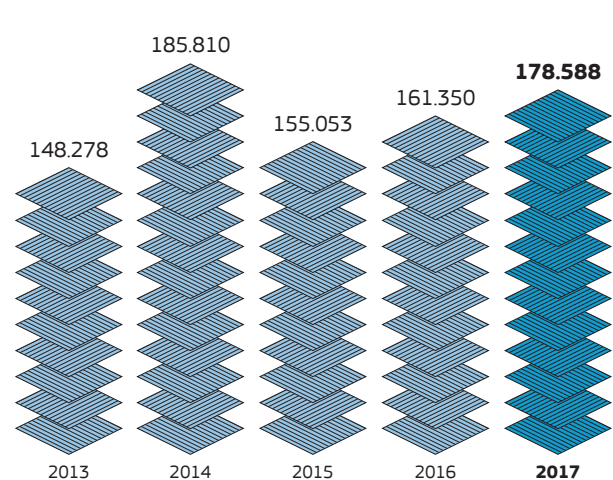
Gross Profit (TL)

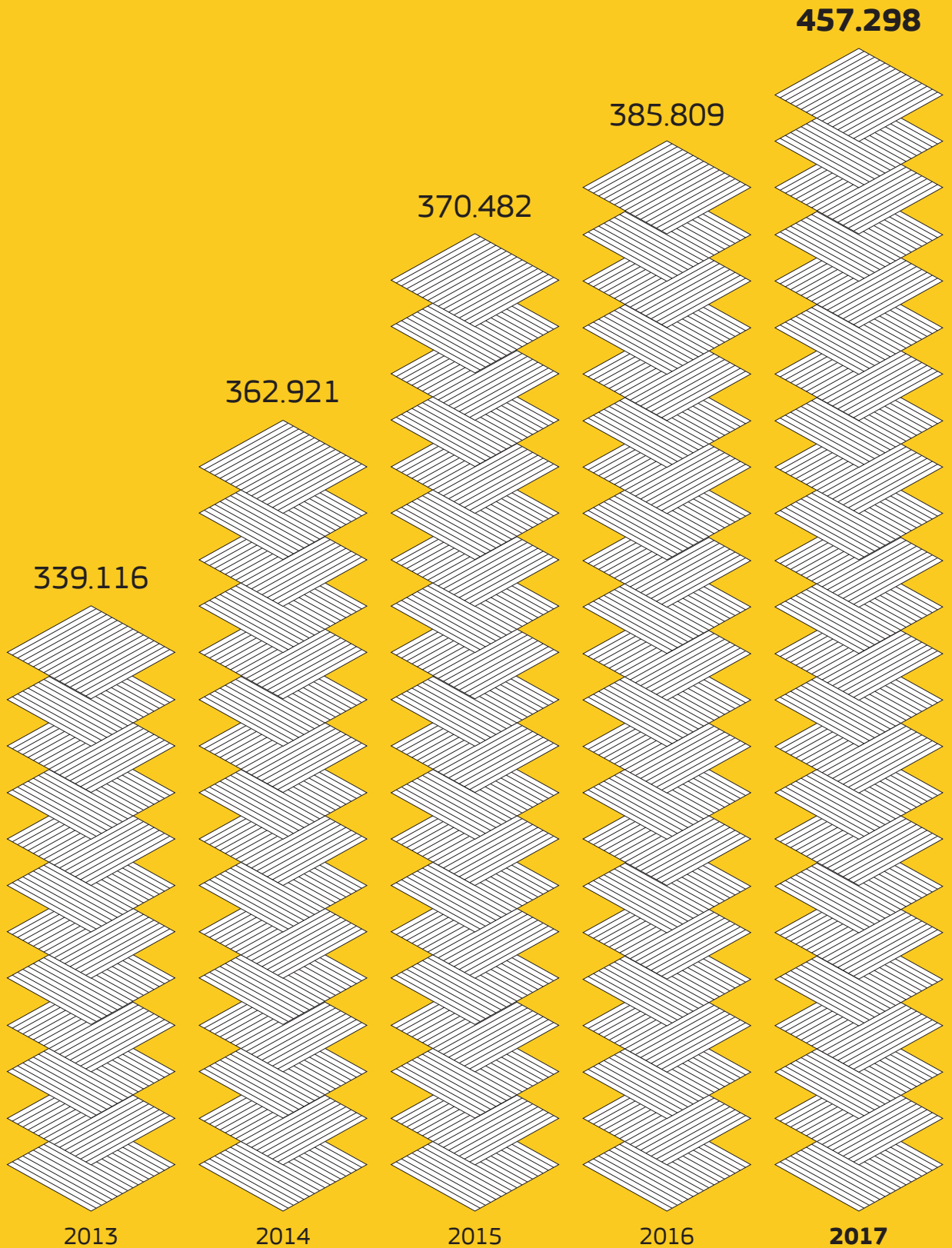


Liability (TL)



Equity (TL)



Net Sales (TL)

Milestones of İzocam

Half a century of experience in accomplishing the first.



1960'S

1965

Izocam founded in Karaköy, Istanbul for the production of glass wool.

1966

Tek-Iz founded.

1967

First glass wool furnace enters into operation.

1968

Izocam becomes one of the first companies of Koç Group to export.

1969

First technical consultancy offices opened in Ankara and Adana.



1970'S

1974

Izocam becomes completely owned by Koç Group when 15% of its shares are repurchased from its Austrian shareholder.

1975

First TV advertisement of İzocam, "Thank You, İzocam", broadcast.

1976

First demountable, modular wall application in Turkey.



1980'S

1982

Gebze EPS (expanded polystyrene) facility enters into operation.

1985

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

1986

Tarsus Glass Wool facility enters into operation.



1990'S

1990

Beylikdüzü EPS Block facility enters into operation.

1991

Izocam's 4th Regional Sales Office opened in Izmir.

1993

Stonewool production begins at the Gebze facility.

1995

XPS (extruded polystyrene) facility enters into operation in Gebze.

1998

Bolu EPS Block facility enters into operation.

Turkey's first independent Insulation Training Center opens.



2000'S

2000

Eskişehir Elastomeric Rubber Foam Facility enters into operation.

2001

Turkey's first insulation competition between universities held.

2005

Tek-lz Panels and Izocam merge under Izocam.

2006

Polyethylene foam production begins in Eskişehir facility.

Koç Holding period comes to an end.

EPS Block production facilities in Russia, Beylikdüzü and Bolu assigned to Arçelik.

2007

Company's transfer to Saint-Gobain (Isover) and Alghanim completed.

2010

Bursa Sales Office turns into 5th Regional Sales Office.

Separate Tekiz Panel Sales Team established.

GEBKIM land purchased and new XPS investments made.

2011

GEBKIM Facility enters into operation.

2012

Capacity of the Stonewool facility increases and a 3rd production line is established in Gebze.

2014

Tekiz site in Ümraniye, Istanbul sold for \$21.1 million.

2015

Izocam recognized as the "Company with the Highest Increase in Corporate Management Index Rating in the Recent Year".

2016

First robotic palletizer system established.

Izocam develops its own rubber formulation, and a production line at the Eskişehir facility is renovated for production.

2017

ISO 27001 Information Security Management Systems Certificate received.

Mission, Vision and Core Values

With our vision we have claimed to be at the top of the insulation sector.

İZOCAM VISION STATEMENT

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

İZOCAM MISSION STATEMENT

İzocam undertakes the mission to maintain its leader position in the whole insulation sector and "Insulation means İzocam" image, to grow by establishing insulation awareness, to differentiate on products and services by utilizing the latest technologies, producing world class products in environmentally friendly and safe plants in the direction of market demands and customer satisfaction, by continuously improving its human resource base, by offering new products to the market, by completing insulation product range.

INDISPENSIBLE VALUES

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

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

Principles of Action

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

Principles of Conduct

Professional Commitment, Respect for Others, Integrity, Honesty, Solidarity

Achievements and Awards

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



2015

isib

"Successful Exporters of 2014" Awards, Insulating Materials Category Awards

Isover DIRUS (Plant Managers) Meeting

Work Safety "Best Safety Improver 2014" Award

Kocaeli Chamber of Industry "The Sectoral Performance Evaluation Awards"

Large Scale Enterprises Category, Sector Award



2016

isib

"Successful Exporters of 2015" Awards, Insulating Materials Category Awards

Harvard Business Review

İzocam CEO A. Nuri Bulut entitled to "Best Performing CEO" Award

Corporate Governance Award Ceremony

The Company that Increased Its Rating The Most at Corporate Governance Index

Dünya Newspaper Stars of Exportation Encouragement Awards

"Exporter to Find a Solution for Sustainability Special" Award



2017

isib

"Successful Exporters of 2016" Awards, Insulating Materials Category Awards

Galaxy Awards

2016 Annual Report, Galaxy Awards Honorable Mention

Message from The Chairman Of The Board

We are the icon of sustainable success.

İzocam increased sales by 18,5% in 2017 compared to previous year and closed the year with a total sales of 457,3 million TL

On experiencing the pride of leaving behind our 52nd year, we completed 2017 being the leading company of the insulation sector in Turkey, one more time. As we move forward and in order to maintain our leadership position in the sector, we are going to continue devoting our best efforts and exercising due diligence together with all of our employees through generating differentiators across all our activities, launching new products to protect brand value of İzocam and fulfilling our responsibilities.

2017 was a year of high growth in our country coupled with the growth in construction and insulation sectors. In this context, as İzocam we managed to increase our sales by 18,5% in 2017 compared to previous year and closed the year with a total sales of 457,3 million TL.

We aim to continue the success we provided last year through continuing our sales growth in 2018; and generating more value to our country, environment and stakeholders by means of increasing both our domestic and export sales.

We reached first base on providing business continuity by receiving ISO 27001 Information Security Management Systems Certificate in 2017. In addition to this, our Corporate Governance Rating realized as 9,31 through an increase on four consecutive years. 2017 was also a year when there was a change in top management and organizational structure of the company. I believe that all these changes and will be contributing on realizing our goals for upcoming period.

Our aim for 2018 and onwards is to continue our growth that we have successfully maintained up to this day and achieve further success through new projects and investments. I would like to extend my endless thanks to all of our stakeholders who contributed to the realization of our dreams and who have made İzocam the leading company of its sector.



FRANÇOIS - XAVIER MOSER
Chairman of Board of Directors



Message of Managing Director

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

Following our award, as being the company that increased its rating the most in the corporate governance index in 2015, we improved our corporate rate also in 2016 and we increased it from 9.16 in 2015 to 9.28 in 2016. In 2017 our corporate rate increased 9,31.

Dear Stakeholders,

After 2016, a year with significant difficulties, 2017 was a year where we experienced high growth both globally and locally. In a year with increases in GDP and construction sector growth, as İzocam we have managed to increase our sales by 18,5% and closed 2017 with 457 million TL of net sales and 17,9 million TL of net profit. 80,9 Million TL part of our total sales has come from exports. We had 16,4% increase in our domestic sales compared to previous reporting year, and our export revenue has also increased by 29,4% in TL in spite of the problems in our export markets. As a result, compared to last year our total sales increased by 18,5%.

And in terms of profit, our operating profit realized as 32,8 Million TL in 2017 with a decline of 4 Million TL compared to last year. Consequently, versus 2017, there was an increase for 18,5% in our net sales, on the contrary there was decline in our operating profit by 10,9%. The main reasons for decline in our operating profit are; sales and profit loss as a result of 2 significant stops for 45 days and 20 days in our two main product segments because of furnace renewal and repairs, and additional depreciation expense for about 2,4 Million TL compared to last year.

Our principal target for 2018 is; to continue our sales growth in 2017 through focusing on profitability also; thereby achieving a double-digit growth in both sales an operating profit by improving our dealers and sales' channels.

Besides this, 2018 shall be a year for İzocam to launch significant investments. In this context, we plan to begin realize capital expenditure that will support our long term growth as soon as possible, as well as contributing sales and profitability growth.

Although it is not still reflected on our profit and sale figures; we significantly renewed our production technology in our facilities with investment expense of 21,7 million TL in 2017. We continued our investments to improve our human source quality besides technology and capacity investments.

As a result of these activities we carried out in 2017 to in order maintain the sustainability and corporate governance of our company; İzocam ranked as 334 "Top 500 Industrial Enterprises 2016" Survey of ISO. 2016 Activity Report of our company received "Honors Award" under the title of "Covers – Annual Reports: Artistic/Illustrations" in 'Design – Bound Publications" category in the assessment made by Galaxy Awards. Furthermore we renewed our record through increasing our rating in Corporate Governance Index in 2017. We further succeeded to increase our corporate governance rating to 9,31 in 2017 from 9,16 in 2015 and 9,28 in 2016.

As a brand having a significant place in our industry with "The Name of Insulation in Turkey" and "Thank You İzocam" catchwords; we continue our way with the vision of being the leading manufacturer/supplier company of Turkey in development of sustainable energy-saving buildings, energy efficiency and multi-comfort buildings. We will keep on our investments and studies to realize this vision to take our design, product and technical support for buildings further in 2018 with our qualified staff.

In this regards, I would like to express my thanks to all of our employees, dealers and customers, business partners and all other stakeholders having share and contribution to our company's successes. I wish and hope that 2018 will be a year that we can create more value for our shareholders and we all together spend our efforts for new accomplishments.



Levent Gökçe
Managing Director



Sectoral Developments

In 2017, despite though challenges we managed to report double digit growth.

In a year where Turkish Lira has been depreciated by 21,8% against U.S. Dollar and 7,1% against Euro and economical development has been lower than expectations.

OVERVIEW OF ECONOMY IN THE LAST YEAR

After a low global and local growth in 2016, 2017 was a year where growth returned back, commodity prices and interests rates have increased. As a result, inflation has increased in 2017 and we left behind the year with the highest annual consumer inflation of the last 10 years. 2017 was a year where both national income and our company's growth have reached to double-digits in spite of the increases in interest rates and inflation.

When we look at Turkish economy on this basis, we can say that tourism statistics which had sharply decreased in 2016 gave it place to growth in 2017. We observed the same trend in industrial production and foreign trade data. Hence, the first 9 months of 2017 ended with 7,1% GDP growth.

In the construction sector we are in; Turkish economy experienced historically the highest annual housing sales of all times with 1,409.314 dwelling sales and house

sales increased by 5,1% compared to 2016. The growth in construction sector by the end of third quarter of 2017 was realized as 10,2%, and supported national income increase and the growth in our sector.

As İzocam, in a year where Turkish Lira was depreciated by 7,1% against U.S. Dollar and 21,8% against Euro, we achieved to improve our total sales by double-digits both in domestic and export markets.

We take the fact that increase in new house sales together with growth in construction permits increasingly contribute to GDP and construction sector growth in a positive way for our sector. Record level of growth in construction permits in a period where interest rates have increased, indicates that there would be a more healthier and fast growth in construction sector in case interest rates and inflation decline.

SECTORIAL LEGISLATIVE DEVELOPMENTS IN 2017

During the year, there has not been any change in the regulations related with our field of activity which might influence our operations significantly. We believe that Noise Regulations in Buildings published within 2017 and to be obligatory as of May 2018, shall contribute to growth of insulation sector in the coming period.

Continuous Comfort with **MULTI COMFORT**

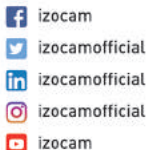


Multi Comfort Houses which reduce energy consumption up to 90% and minimize CO₂ emission is the center of the Izocam's sustainable structures developing strategy.



- Annual heating energy requirement is less than 15kWh / (m² year)

www.izocam.com.tr



Production and Products

We continue to be the pioneer of our industry.

PRODUCTION

Our Company maintains the distinguished lead position in the insulation sector in our country that it has held since its establishment, and further improves the sector with the addition of new products to its range of products.

The glass wool produced in Tarsus constitutes a significant proportion of our Company's manufacturing and total sales revenues, while the stonewool produced at our facility in the Dilovası Organized Industrial Zone is manufactured in various types, forms and compositions for thermal insulation and soundproofing applications. Our products are used in a wide range of applications in industrial and agricultural facilities, energy installations and the housing sector.

Expenditures aimed at thermal insulation and energy saving in buildings are recognized as immediately expensed costs. Furthermore, Law no. 6728 allows expenditures for thermal insulation and energy conservation, which increase the economic value of the real estate held by a company, to be directly recognized as immediately expensed costs.

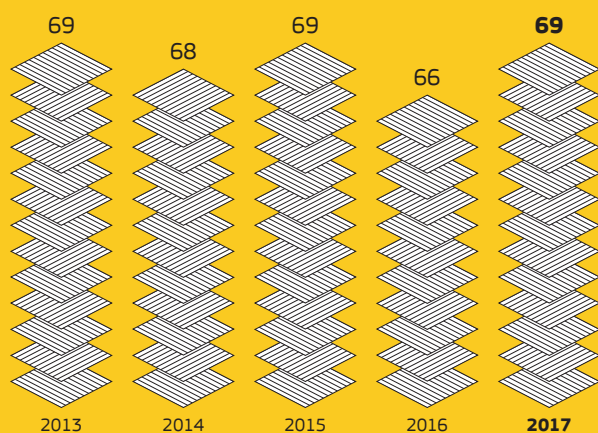
The other product groups that we manufacture include expanded and extruded polystyrene, which are produced in the Gebkim-Dilovası Organized Industrial Zone and at our facilities in Tarsus. These products have a wide range of uses, particularly in wet and cold-type insulation applications.

We produce roofing and wall panels (both insulated and uninsulated) at our Tekiz Panel Production Facility in the Gebkim-Dilovası Organized Industrial Zone.

The elastomeric rubber and polyethylene produced at our facilities in the Eskişehir Organized Industrial Zone are used predominantly for the insulation of pipes, tanks and similar cold-type installations.

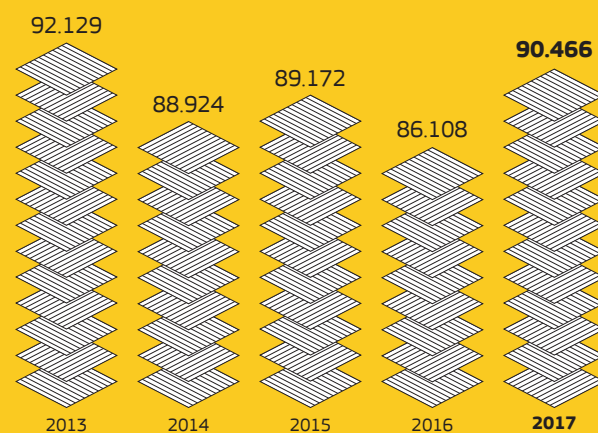
CAPACITY USAGE RATE

Mineral Wools (%)

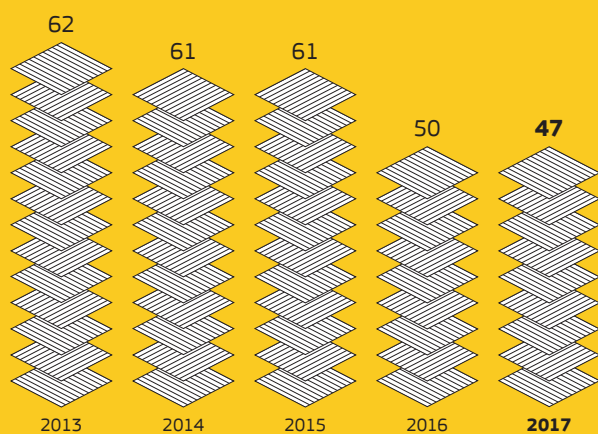


PRODUCTION

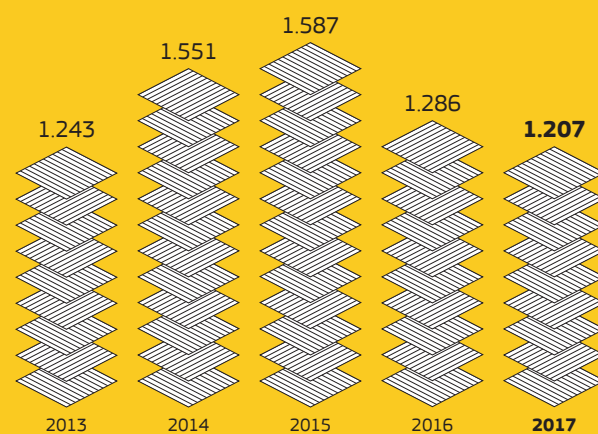
Mineral Wools (Tons)



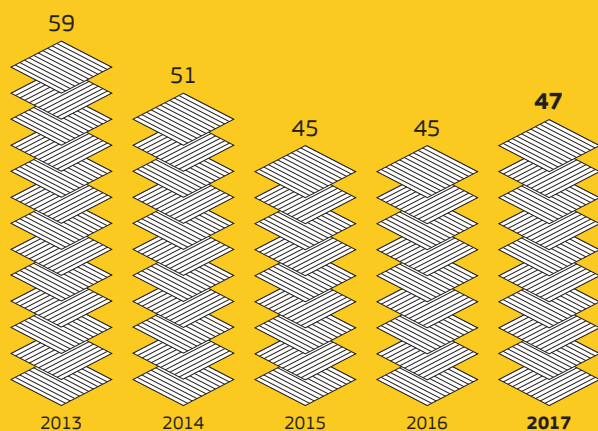
Panel Products (%)



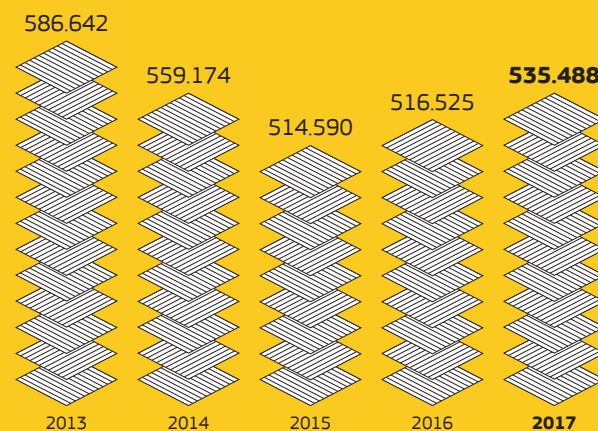
Panel Products (Thousand m²)



Plastics (%)



Plastics (m³)



Production and Products

We provide insulation solutions suitable for all structures.



GLASSWOOL

Uncoated glass wool products are classified as class A1 “non-combustible materials”, according to TS EN 13162 and TS 14303.

Our glasswool product is manufactured by melting locally procured inorganic raw materials at a temperature of 1200-1250°C and transforming them into a fiber. It can be produced in different sizes and technical specifications and with different coating materials, in the form of mattress, plate and pipe. It provides fire safety together with heat, sound and acoustics insulation.

STONEWOOL

Produced under license from Saint-Gobain Isover Grünzweig+Hartmann Germany Sillan.

Our stonewool product is manufactured by melting locally procured inorganic raw materials to a temperature of 1350-1400°C and transforming them into fiber. It can be produced in different sizes and technical specifications and with different coating materials, in the form of mattress, plate and pipe depending on purpose and intended area of use. It provides fire safety together with heat, sound and acoustics insulation.





EXTRUDED POLYSTYRENE (XPS) FOAMBOARD

Izocam Foamboard products are subject to TS EN 13164.

It is produced from polystyrene by extrusion. It can be produced in sheets with different edge and surface patterns, in different sizes and with different compression strengths, according to purpose and intended area of use. It is used for the purpose of heat isolation.

EXPANDED POLYSTYRENE (EPS) IZOPOR AND IZOPOR PLUS

Izocam Izopor products, subject to TS EN 13163, are entitled to bear the CE marking in accordance with the Construction Products Regulation.

The production process involves the expansion and adhesion of raw material granules through the injection of pentane gas when the polystyrene raw material is in contact with water vapor. It can be produced in sheet forms of different sizes and technical specifications, as required by the intended area of use. It is used for the purpose of heat isolation.



RUBBER FOAM – IZOCAMFLEX

Izocamflex products, subject to TS EN 14304, are entitled to bear the CE marking in accordance with the Construction Products Regulation.

Izocamflex is an elastomeric rubber-based thermal insulation material with closed pores and a uniform cell structure. It can be produced in different sizes and technical specifications in both sheet and pipe forms with different coating materials, as required by the intended area of use. It is used for thermal insulation and condensation control.

Production and Products

Solutions that provide heat, sound and acoustic insulation together.



POLYETHYLENE FOAM – PEFLEX

PEflex products, subject to TS EN 14313, are entitled to bear the CE marking in accordance with the Construction Products Regulation.

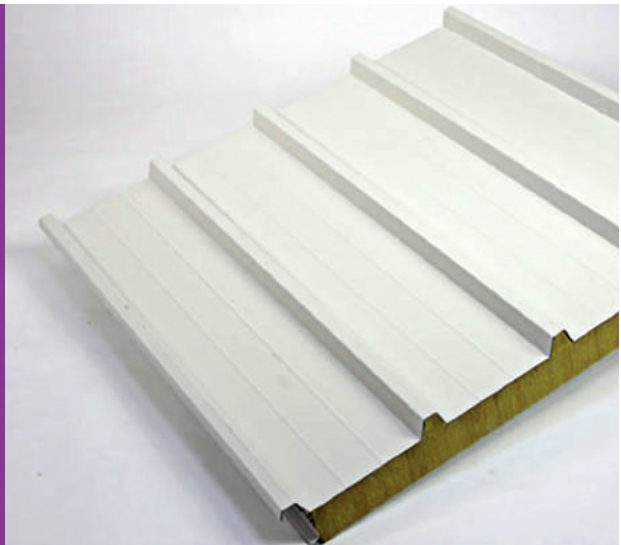
PEFlex has a closed pore cellular structure and it is flexible thermal insulation material. It can be produced in different sizes and technical specifications with different coating materials in sheet, pipe and cord form as required by the intended area of use. It is used for thermal insulation and condensation control.

INSULATED SANDWICH PANEL

Insulated panels are materials with an insulated core, sandwiched between two formed metal sheets, or between a formed metal sheet and a waterproofing membrane.

Their light and durable structure reduces installation time, and provide thermal insulation, soundproofing, water proofing and fire safety, depending on their insulation structure.

Insulated panels can be used in all structures requiring fast application and closing of large spaces. It can be predominantly used in industrial structures, shopping centers, warehouses, gyms, etc.

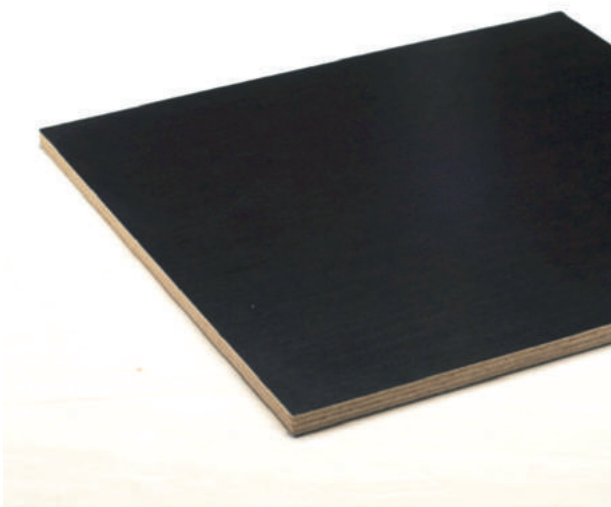




TRAPEZOIDAL PLATE

Trapezoidal plates come in a wide range of forms and colors, and are reliable roof and wall coating products that offer alternative solutions with a high load-bearing capacity.

Trapezoidal plates come in a wide range of forms and colors are reliable roof and wall coating products that offer alternative solutions with a high load-bearing capacity. Thanks to their functional designs, they can be used either without insulation or with various insulation materials. It is possible to apply aesthetics detail solutions thanks to curvilinear forming feature and end profiles to be produced in required form.



PLYWOOD

Film-coated plywood is a sheet material comprising three or more polish layers that are stuck to each other and coated with a film.

Film-coated plywood is a sheet material comprising three or more polish layers that are stuck to each other and coated with a film. The multilayered and mutually perpendicular structure of the fibers on adjacent layers ensures endurance in both directions and form stability, giving plywood a distinct advantage over other timber products.

Sales and Profitability

It has been a year which we have increased our sales and our profitability.

Our balance sheet dated 31.12.2017 and statements about balance sheet items prepared in accordance with the Notifications of the Capital Market Board are submitted for your information in ANNEX-1. In addition, income statement for 2017 is also submitted for your analysis in ANNEX-2 together with its statements.

The funds created by our company within the year were allocated to investments, operating capital increases, tax payments, dividend payments and the paybacks of short-term loans. Statement of Changes in Equity Capital is given in ANNEX -3 and Cash Flow Statement in ANNEX - 4. As of 31.12.2017, our balance sheet and its footnotes that was audited by an independent firm and approved by Audit Committee was examined by the Board of Directors and submitted to the approval of General Assembly after being accepted with our decision dated 15th February 2018 and no 795.

As Board of Directors, we would like to state that, as of 31 December 2017, the financial statements, their footnotes and periodical activity reports arranged at interim periods and at the end of six months and announced are exactly reflecting the financial status of our Company and that they exactly comply with the legislations and that we are responsible for all the information included in these reports, in compliance with Article 9 of Second Part of Notice of Principles Related To Financial Reporting in Capital Market.

As per the policies of the Company, the total amount of guarantees given is 22,850.828 TL (31 December 2016: 14,950.898,-TL) and these guarantees consists of letters of guarantee and notes submitted to customs houses, domestic suppliers, banks and tax offices.

NET SALES AND PROFITABILITY EVOLUTION

(Calculated According to the notifications of Capital Market Board)

In comparison with 2016, amounts belonging to our production sales are given in below table.

BOARD OF DIRECTORS' ASSESSMENT THAT THE COMPANY IS NOT RUNNING INTO DEPT.

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

SALES, PROFITABILITY, DEBT AND SHAREHOLDERS' EQUITY (COMPARATIVE PRESENTATION)

In order to improve current financial structure of the company, Eximbank loans with export commitment offering low interest and has been used in 2017 for operating capital requirement and the usage mobile POS devices for receivable collection has been increased compared to the previous year.

SALES INDICATORS

(TL)	2016	2017	%
Domestic	328.525.377	380.452.951	15,8
Domestic Other	15.530.937	20.383.825	31,2
Export	62.529.776	80.901.902	29,4
Total Gross Sales	406.586.090	481.738.678	18,5
Sales Returns and Discounts	-20.776.693	-24.440.951	17,6
Net Sales	385.809.397	457.297.727	18,5

FINANCIAL INDICATORS

		2012	2013	2014	2015	2016	2017
Sales	(TL)	318.292.485	339.116.356	362.921.190	370.482.364	385.809.397	457.297.727
Gross Profit	(TL)	79.115.997	82.846.214	86.403.832	87.370.645	88.330.698	91.185.927
EBIT	(TL)	33.551.123	37.220.123	86.890.704	40.013.079	36.526.499	32.843.652
EBITDA	(TL)	43.862.387	48.488.197	98.169.392	50.936.344	47.182.661	46.013.062
Gross Margin	(%)	25	24	24	24	23	20
EBIT Margin	(%)	11	11	24	11	9	7
EBITDA Margin	(%)	14	14	27	14	12	10

FINANCIAL POSITION

		2012	2013	2014	2015	2016	2017
Liability	(TL)	57.997.959	66.750.947	66.634.352	93.440.089	133.171.209	153.116.211
Equity	(TL)	148.278.348	148.280.237	185.810.074	155.053.362	161.350.325	178.587.885
Financial Debt	(TL)	14.476.383	22.022.085	16.870.466	20.558.313	46.049.226	49.866.593
Net Profit Margin	(%)	8	8	19	8	5	4
Equity / Total Assets	(%)	72	69	74	62	55	54
Total Debt / Equity	(%)	39	45	36	60	83	86
Fin. Debt /Tot.Assets	(%)	7	10	7	8	16	15
Finan. Debt / Equity	(%)	10	15	9	13	29	28

Strategy and Investments

We have invested 22 million TL in 2017.

INVESTMENT DETAILS IN THE REPORTING PERIOD

In 2017, feeder revision in Stonewool facility, furnace renewal in Tarsus, investment of Tarsus 3. pipe-line, Gebkim warehouse, new head office building and various safety and security related investments have been performed.

During the year, our total investment expenditures have been realized as 21,744.861 TL (in 2016: 30,223.889 TL).

INTERNAL CONTROL SYSTEM

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

İzocam Internal Control System is composed of five basic standards connected with each other. These are respectively

(1) Control Environment Standards, (to reach the company's targets on the basis of unit and activity targets) (2) Risk Assessment Standards, (to guide for the right management of risks) (3) Control Activities Standards, (to effective and timely evaluation of data and information received) (4) Information and Communication Standards and (5) Monitoring Standards to evaluate the internal control system and risk management, which involves whole of the organization.

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

The company did not acquire its own shares within the year and was not audited by either private or public institutions within the same period. There is no subsidiary in Company's portfolio.

In 2017, no administrative sanction and punishment were imposed on the company and Board of Director and there is no important case opened against the company. Our company does not have any discrepancy with any private or public institutions.



DECISIONS OF THE GENERAL ASSEMBLY

In 2017, General Assembly had an ordinary meeting on 22 March 2017 and extraordinary meeting once on 16 November 2017, and decision quorum have been ensured for the sessions. The detailed information regarding the meetings was included in the "Compliance Report for Corporate Governance Principles", and all issues included in the agenda of the General Assembly and decided by the General Assembly were fulfilled during the year.

The information on expenses performed by the company in the context of donations, aids and corporate social responsibility and beneficiaries of such expenses,

Our Company has granted in total 3,139,02 TL donation to social institutions such as TEV, Dilovası Municipality and Red Crescent within 2017.

Upper limit for donations and aids to be made in 2018 within the borders of company's donation and aid policy shall be determined by General Assembly.

Information About Previous Period Targets And Their Status of Implementation

Financial, customer, employee, technology and corporate based targets which were determined by the Board of Directors, constituting the basis for evaluating performance of senior executives have significantly been implemented as of the end of 2017.

Precautions Taken For Preventing Conflict Of Interest Related With Investment Consultancy And Rating Companies

There has not been any conflict of interest during the year between our company and the institutions providing investment consultancy and rating services. In order to prevent possible conflict of interests, before such services purchases, texts which will prevent possible conflict of interests as well as confidentiality clauses are added to the contracts and protocols to be concluded and confidentiality agreements are signed.

Information on Investments, Status of Using Incentives and Information on Fixed Assets

Our investment policy is undertaking necessary investments which will enhance to continue our leadership claim in the market or undertake those investments which will carry us to leadership status.

During the year, we have performed investments targeting the improving occupational health and safety in all our existing facilities as well as increasing miscellaneous capacity, productivity and quality of these facilities.

Incentive certificate has been received for Stonewool investment to be realized in Aksaray Organized Industrial Zone in 2017, and no incentives have been benefited from yet as the investment has not been actually started. In the following years this certificate shall be benefited for expenditures to be made.

Human Resources, R&D and Environment

Energy-efficient production processes...

We have obtained the approval of the Ministry of Environment and Urbanization for the use of cullet as alternative raw material in our facilities. Our glass wool and stonewool facilities play an active role in the recovery of cullet.

We, as İzocam, operate in accordance with the principle of occupational safety. In order to raise awareness on Occupational Safety, we have provided more than 20,000 hours of occupational safety training to İzocam employees and subcontractors, and carried out 1,021 single point occupational health and safety inspections in 2017. Besides occupational safety, we also focus on environmental protection with our environment-friendly products and our efforts during production.

In addition to our ISO 14001 Environmental Management System Certificate, our Environmental Product Declarations have been prepared and our Greenhouse Gases Calculations have been approved by independent institutions approved by the Ministry of Environment and Urbanization.

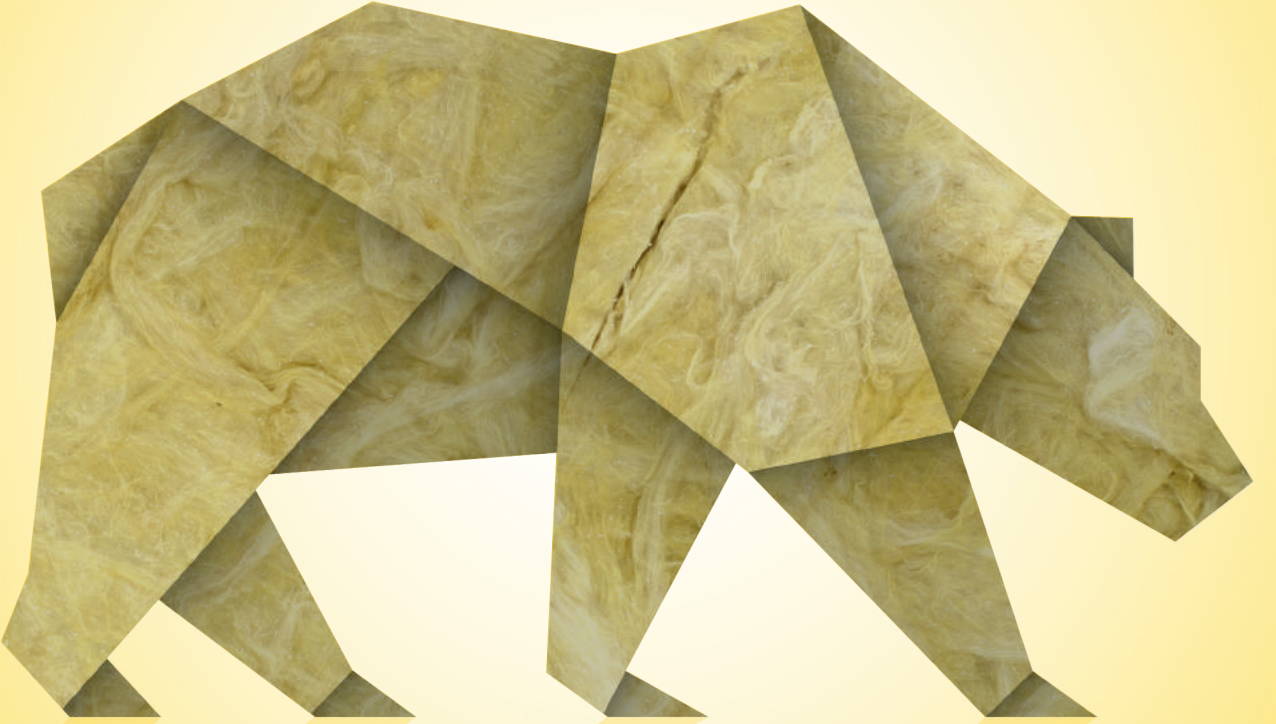
We successfully passed the ISO 50001 Energy Management Systems certification renewal inspection. Providing sustainable sources in our production, usage of materials having minimum effect on environment, reducing energy consumption per ton in our products are among our Key Environment Targets.



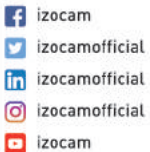
In addition to these, our Head Office was certified on ISO 27001 Information Security Management. In this context, business sustainability and providing information security in our works have been audited and approved by an independent institution and certified.

ENDANGERED, NOW, WHO'S NEXT?

İzocam trust Glass Wool and Stone Wool products which provide high insulation in terms of managing and protection of sustainable energy resources against global warming and works to take our today and tomorrow under preservation.



www.izocam.com.tr



Human Resources Management

We provide equal opportunities to all our employees.

Our company which always sets sight on being the pioneer, innovative and the leader firm in its fields of activities for more than 53 years and determinedly progresses towards this direction, also adopts its principles to become a strong, reliable and preferred employer brand for its employees.

"izocam Behaviors" have been constituted in our company in the light of our culture and values. Investments have been made in every level of our organization, in the light of izocam Behaviors which we call as "Remaining Close To The Customer", "Entrepreneurship", "Innovativeness", "Agility", "Constituting An Open And Inclusive Culture", to ensure sustainability of these behaviors and support their improvement.

We have continued to undertake necessary investments required for our employees who are the followers of our corporate culture and values and become a role model employer providing a reliable, healthy, fair, transparent and legal working conditions in 2017.

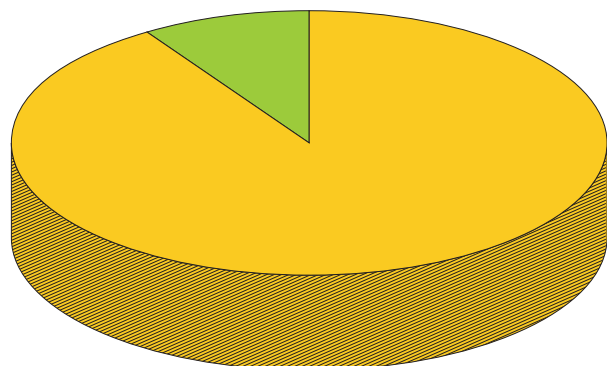
The most significant characteristics of our human resources policy are to meet the qualified, open to learning and innovative human resources requirements of our company, being conscious about universal principles and all legal responsibilities so that ensuring employees work with high motivation by providing contribution to personal and professional development of specialized and qualified staff.

Our average number of employees in 2017 has been 448 (the average number of employees for the previous year was 445), 203 of our current staff are white-collar while 243 of them are blue-collar. As of 31st December 2017,

total number of staff working in our company is 467 (this was 446 as of 31st December 2016).

9% of our employees are women while 91% of them are men and our average age is 37 while seniority average is 10 years. 51% of our employees have either doctorate, post-graduate or graduate level education. We consider the employment of woman important for our company both for white-collar and blue-collar personnel. Rate of woman employees working in executive/manager and director levels have been increased from 5% to 14% comparing to last year. We are against gender discrimination in our promotion and employment policies and we support our female

Gender Distribution



Male
91%

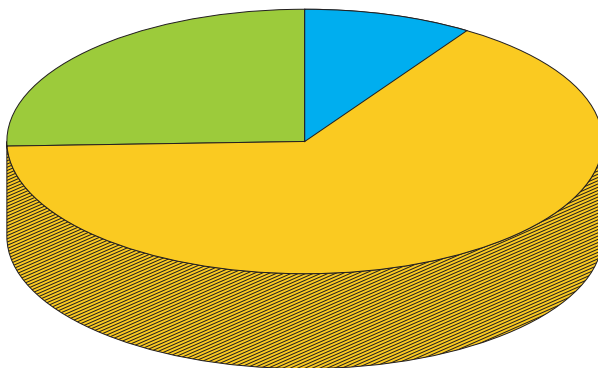
Female
9%



employees especially during their adaptation process following maternity.

We started a culture change in 2017 on Occupational Health and Safety, the most significant principles we have adopted as İzocam. Occupational Health and Safety has always been the primary priority of everybody on dealing all issues of our company, and studies on spreading of this consciousness and increasing of awareness have continued.

Personal and Professional Training Distribution



■ Internal Trainings ■ External Trainings ■ E-Trainings
62% **28%** **10%**

CAREER AND PERFORMANCE DEVELOPMENT

We are making investments to strength experiences and performance developments of our employees, through adding new practices to our business processes ensuring career and performance developments of our employees. We support administrative approaches providing determination of new ways for our employees, the most important value of our Company, and their utilization more effectively on the experience and capabilities they have on their work. As a result of this, 97% of all executive position assignments of our Company have been realized within our employees in the Company.

PERSONAL AND PROFESSIONAL TRAINING

By considering training and development of human resources as a priority for achieving its goals, İzocam allocates necessary resources for development of its employees and allow its employees to plan their personal development through receiving feedbacks from their superiors and workmates by means of competence evaluation system. The average number of training hour per employee has been realized as 59 hours in 2017. 72% of these trainings have been provided as internal trainings while 28% of these were external trainings. We will continue to provide technical and professional training and development activities for all our employees in the light of the laws and professional development of our staff.

Human Resources Management

Our efforts to increase commitment are continuously ongoing

The average number of training hour per employee has been realized as 59 hours in 2017. 62% of these trainings have been provided as internal trainings , 28% of these were external trainings and 10% were e-trainings.

INTERNAL COMMUNICATION

After the management change in 2017, communication and acquaintance meetings have been organized for the employees. The amendments on organizational structure have been communicated to all employees by Managing Director through physical or online participation with a presentation.

“Compliance Day” has been celebrated in the company with attendance of the all staff in the light of Laws and Behavior and Working Principles, and various communication activities have been performed to increase awareness of our employees in this issue.

Celebration and remembrance messages have been shared through social media and within the company on special days such as Day of Persons With Disabilities, Women’s Day, Human Rights Day.

SOCIAL RIGHTS

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

The activities supported by our Company:

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

Generally accepted perquisites have been paid to our company employees and workers. There was an increase of 1,266.063 TL in our employee benefit obligation as of 31.12.2017 calculated in accordance with Communiqués of Capital Market Board and this amount has been included in our long term debts item of our balance sheet.

Quality Management Systems

World-class, proven quality management systems.



İzocam carries out production in accordance with national and international product standards. Suggestions that enhance quality and research and development activities are encouraged. We target continuous improvement, and results are reviewed on a continuous basis through our quality system. All legal requirements to which we are subject in quality-related matters are complied with.

Our personnel undergo training in order to raise and maintain awareness on quality. Our Head Office and all facilities are inspected by the Bureau Veritas company each year. It has been transmitted to 2015 version by going under standard revision. Compliance of our company to ISO 9001 Quality Management Systems standards have been approved as a result of the audit performed in accordance with revised version.

Our company is also have ISO 14001:2015 Environmental Management System, OHSAS 18001: 2007 Occupational Health and Safety System, ISO 50001 Energy Management System and ISO 27001 Information Security Management Certificates.

Board of Directors and Committees

BOARD OF DIRECTORS



François - Xavier Moser

Chairman

The first year in the Board of Directors: 2016

Committees Charged in: -

The first year in the Committee: -

Duties Outside the partnership: Saint-Gobain Group Delagation Chief



Samir Mamdouh Kasem

Vice Chairman of the Board

The first year in the Board of Directors: 2010

Committees Charged in: -

The first year in the Committee: -

Duties Outside the partnership: Alghanim Industries, President



Robert Etman

Member

The first year in the Board of Directors: 2013

Committees Charged in: Corporate Governance Committee Member / Early Detection of Risk Committee Member

The first year in the Committee: 2013

Duties Outside the partnership: Alghanim Industries, CFO



Hady Nassif

Member

The first year in the Board of Directors: 2016

Committees Charged in: Early Detection of Risk, Committee Member

The first year in the Committee: -

Duties Outside the partnership: Saint Gobain Group Middle East, Delagation Chief



Arif Nuri Bulut

Member

The first year in the Board of Directors: 2002

Committees Charged in: -

The first year in the Committee: -

Duties Outside the partnership: Board Member of "Tat Konserve San. A.Ş" "Saint Gobain İnovatif Malz.ve Aşındırıcı San. Tic A.Ş" and "Atlas Zımpara San. ve Tic. A.Ş"



Gülsüm Azeri
Member

The first year in the Board of Directors: 2012

Committees Charged in: Audit Committee Member

The first year in the Committee: 2012

Duties Outside the partnership: OMV Petrol Ofisi AŞ - OMV Gaz ve Enerji Holding AŞ CEO- Board Member



Pol Zazadze
Member

The first year in the Board of Directors: 2012

Committees Charged in: Audit Committee President. Corporate Governance Committee President. Early Detection of Risk Committee President

The first year in the Committee: 2012

Duties Outside the partnership: PersonnaTıraş Ürünleri ve Kozmetik San. Tic. Ltd.Şti General Manager



Levent Gökçe
Member – General Manager

The first year in the Board of Directors: 2017

Committees Charged in:

The first year in the Committee:

Duties Outside the partnership:



Ahmad Hammoud
Member

The first year in the Board of Directors: 2017

Committees Charged in:

The first year in the Committee:

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

(*) Number of members of board were increased from 7 to 9 at Extraordinary General Assembly held on 16th November 2017, and Levent Gökçe and Ahmad Hammoud were assigned as new members.

Board of Directors and Committees

Information Related With the Members That Take Charge in Board of Management Committees

Detailed information regarding Members of Board is stated on Article 5 of Corporate Governance Compliance Report. Board of Directors consists of at least 5 members to be elected by General Assembly within the framework of the Turkish Commercial Code, Capital Markets Board regulations and relevant legislation provisions.

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

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

2) The number and attributes of independent board members shall be in compliance with the Capital Markets Board Corporate Governance Regulations. The majority of members of Board of Directors is composed of such individuals who do not have any administrative position in the company other than board of directors membership and who do not intervene in the daily businesses and ordinary activities of the company.

3) The execution and operating principles of Board of Directors together with its structure and meeting format and thereby the relevant structure of committees to be established within Board of Directors shall be in compliance with the Capital Markets Board Corporate Governance Regulations. Board of Directors governs the Company and represents it against courts and third parties. Excluding the Article 408 of Turkish Commercial Code and the regulations in Clause 1 of Article 23 of Capital Markets Law, Board of Directors has the absolute authority to perform all kinds of proceedings and actions, related with the company's field of activity together with the administration and possession of all kinds of estates and assets belonging to the company.

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

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

The Chairman of Board determines the meeting agenda. In case of necessity, meeting agenda can be determined by Board of Directors' decision too. At the end of each meeting, meeting notes are typed and meeting minutes are signed by all members. Every member carries only a single right of vote. He/she personally uses this right. The votes in the Board of Directors meeting are casted as 'yes' or 'no'. In case, a member objects the decisions taken in the meeting, this is noted to the meeting minutes.

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

Turkish Commercial Code, Capital Market Law and regulations of Capital Market Board related with corporate governance and other relevant legislations are applied to determine the term of office of the Board of Directors members and Independent Board of Directors members. Pursuant to articles 395 and 396 of Turkish Commercial Code, Board of Directors members declares that in 2016 they did not perform the duties that are within the scope of company's operation field personally or on behalf of others basing on the permission given by the General Assembly.

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

Information About the Committees Created by The Board of Directors and Participation to Committee Meetings

Board members who were selected at the General Assembly Meeting held on 22 March 2017, convened on 29 March 2017 and shared tasks. Independent board members Gülsüm Azeri and Pol Zazadze (President) were assigned to Audit Committee members; independent board member Pol Zazadze (President) and board members Robert Theodoor Gijsbert Etman, Hady Nassif and the Manager of Investor Relations Unit Doruk Özcan who works as the Assistant Managing Director responsible for Finance and Administrative Affairs and who is the holder of Capital Market Activities Advanced Level License and Corporate Management Rating Surveyor License were assigned as Corporate Governance Committee members; Pol Zazadze (President), Hady Nassif and Robert Theodoor Gijsbert Etman were assigned to Early detection of Risk Committee.

- Considering the current structure of the Board of Directors; it was resolved that the duties of Nomination Committee and Wage Committee shall be fulfilled by Corporate Governance Committee. The working principles of the committees are published on the Internet page of the company.
- The Committee in charge of Audit convened eight times within the year and submitted the financial reports and other assessments within the framework of their working principles to the Board of Directors. The Corporate Governance Committee convened two times within the year and submitted its suggestions and minutes to the Board of Directors. The Early Risk Detection Committee convened six times within the year and submitted the company assessment report to the Board of Directors.
- The evaluations of the Board of Directors related with the efficiency of the systems in the fields of internal control and risk management are given below.

Financial Rights Provided to Board Members and Senior Managers

“Wage Policy for Board Members and Senior Executives” principles involving the bases of all kinds of rights, interest and wages provided for Board Members and senior executives and also the wage system principle and criteria used to determine them besides the information about Board Members served in 2017 is updated and put into practice after it is approved in our Ordinary General Assembly dated 23.03.2015.

As it is decided at Regular General Assembly in 2017; no fees are paid to the Member of Board who are not independent and 14,000- TL monthly gross salary is paid to each Independent Member of Board.

For the period ended 31st December 2017 and 31st December 2017, remunerations to the top management are comprised the following:

	1st January - 31st December 2017	1st January - 31st December 2016
Short term benefits		
(Salaries, premiums, housing, company cars, social security, health insurance, vacation pay etc.)	3.745.374	4.608.926
Long term benefits		
(Termination indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	480.875	809.561
	4.226.249	5.418.487

Board of Directors observes that the internal control and risk management systems are working effectively. Board of Directors has convened three times within the year and all members attended to these meetings.

Top Management

İZOCAM MANAGEMENT



**Mustafa
Rüştü Uz**
Sales
Director

has worked
in various
sales levels of
Izocam since
1996.

**Nabi
Akpınaroğlu**
Supply Chain
Director

began his
business life
in Izocam in
1990 and took
part in various
managerial
positions.

**Doruk
Özcan**
Financial
Affairs
Director

has took part
in various
managerial
positions in
Izocam since
2007.

**Levent
Gökçe**
Company's
Managing
Director

began his
business life
in Izocam in
2017 and was
appointed
as Managing
Director on
01.04.2017.

**Gözdehan
Çaycı**
Human
Resources
Director

has worked in
various field
of operations
and took part
in various
managerial
positions since
2002.

**Jean Philippe
Destang**
Investments
and Production
Director

joined senior
management
of Izocam as
of 2018. He
worked at similar
administrative
levels in other
international
insulation
companies in the
fields of production
and investments.

**Kemal Gani
Bayraktar**
Marketing
Director

took part
in various
managerial
positions in
Izocam since
1995.

DIRECTORS, MANAGERS AND EXECUTIVES STILL IN CHARGE

Name - Surname	Position
Levent Gökçe	Managing Director
Doruk Özcan	Financial Affairs Director
Nabi Akpınaroğlu	Supply Chain Director
Gözdehan Çaycı	Human Resources Director
Kemal Gani Bayraktar	Marketing Director
Mustafa Rüştü Uz	Sales Director
Jean Philippe Destang	Investments and Production Director
Öner Torun	Accounting Manager
Dilek Pehlevan	Finance Manager
Cenk Akarçay	Information Systems Manager
Umut Ayhan	Audit and Management Systems Manager
Eşref Bingöl	Industrial Development and Maintenance Manager
Mustafa Selçuk	Purchasing Manager
Halil Sıtkı Ergün	Investments Manager
Osman Hakan Uslu	R&D and Quality Assurance Manager
İlhan Göksun	Ehs and Wcm Manager
Demir Ahmet Demirtaş	Export Manager
Gamze Göksu	1. District Sales Manager
Bülent Yıldız	2. District Sales Manager
Serhat Serkan	3. District Sales Manager
Nihat Köşger	4. District Sales Manager
Hakan Özşanlı	5. District Sales Manager
Ahmet Uysal	Tekiz Sales Manager
Feza Mahmut Hokkacı	Sales and Customer Support Services Manager
Süleyman Çelik	Budget and Reporting Manager
Oben Pamuk	Customer Accounts Manager
Timuçin Erdoğan	Software Manager
Ayhan Çakır	Product Manager
Tahsin Karasu	Product Manager
Zahide Türkan Subaşı	Product Manager
Sezen Burcu Ertek	Corporate Relations Manager

Top Management

Duygu Can	Environment Manager
Cenk Güven	Sales Manager
Hakan Ersan	Sales Manager
Nil Sözer	Sales Manager
Süphan İpek	Sales Manager
İlkay Murat Erkekel	Sales Manager
Mustafa Bıçakçioğlu	Sales Manager
Serkan Pehlevan	Sales Manager
Onur Gören	Sales Manager
Nejdet Koçak	Business Development Manager
Mehmet Dinçer	Production Planning and Procurement Manager
Kaan Dadalı	Transport and Warehouses Manager

Dilovası Stonewool Production Facility

Ömer Mehmet Arun	Plant Manager
Caner Çakır	Production Manager
Gökhan Serin	Quality Assurance Manager
Hüseyin Koyak	Maintenance Manager
Hakan İmren	Human Resources and Administrative Affairs Manager (Gebkim and Dilovası)

Dilovası Gebkim İzopor, Foamboard and Tekiz Panel Production Facilities

Mehmet Bezzazoğlu	Plant Manager
İlhan Karaağaç	Polystyrene Production Manager
Özgür Öktem	Tekiz Production Manager
Talat Kırçak	Quality Assurance Manager
Sinan Köse	Maintenance Manager

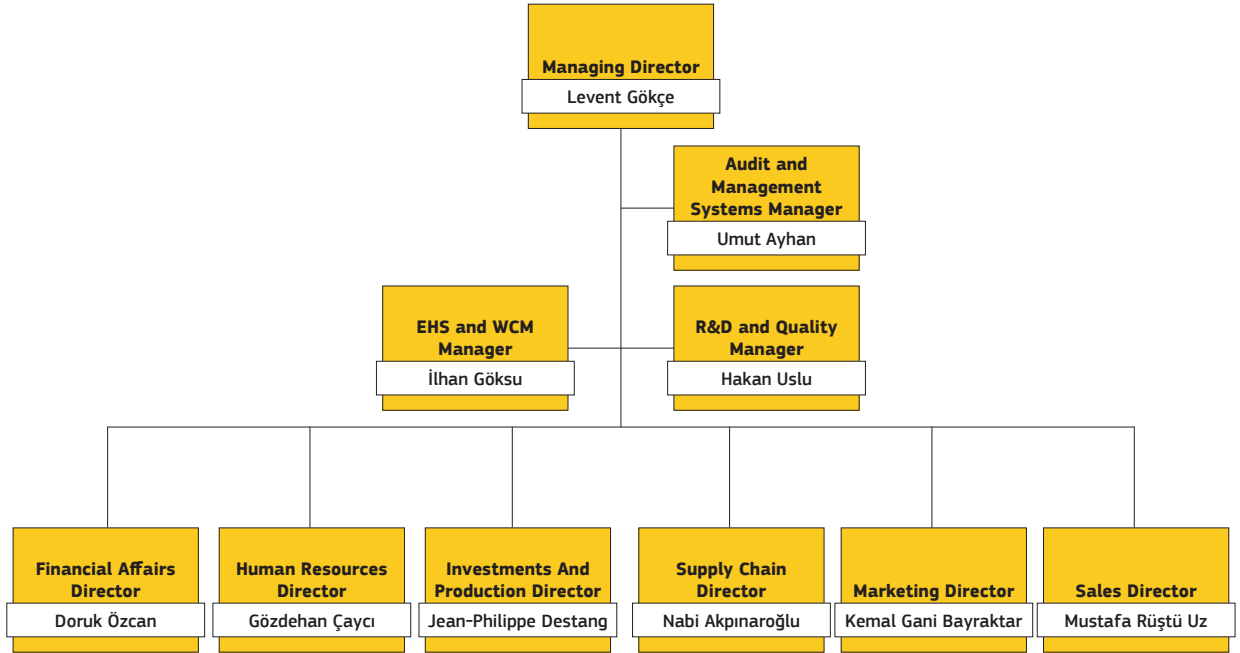
Tarsus Glasswool And Extruded Polystyrene Production Facilities

Olca Yultay	Facility Manager
Timur Aras	Human Resources and Administrative Affairs Manager
Yusuf Oğuz Olcaytu	Maintenance Manager

Eskişehir Rubber And Polyethylene Production Facility

Sait Taşçı	Production Manager
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Organization Structure



Corporate Governance Principles Compliance Report

SECTION I – DECLARATION FOR COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

Our company continues to apply the equality, transparency, accountability, responsibility and consistency criteria in the activity period which ended in 31.12.2017 in compliance with corporate governance principles within the scope of the II-17.1 Numbered Corporate Management Directives of the Capital Market Board which have been published in the Official Gazette dated 03.01.2014 and no 28871. In accordance with the explanation of the Capital Market Board in the Bulletin dated 13.01.2015 date and no 2015/1, our Company is among “BIST 3rd Group Companies” and has been observed to comply with the Directives substantially as a result of analysis of 399 criteria defined in the methodology prepared by a corporate governance compliance rating company, Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.

The Corporate Governance Rating of our Company which was 8.76 in 30.12.2014, has increased to 9.16 as of 29.12.2015, to 9.28 as of 23.12.2016 and to 9.31 as of 08.12.2017 as a result of continuous improvement activities performed by our Company. Since 31.12.2014, İzocam is included in the Corporate Management Index of BIST.

The score of our Company given in accordance with the Compliance Rating for Corporate Management Principles as of 08.12.2017 are shown below considering subheadings.

MAIN HEADINGS	WEIGHT	2017 SCORE (Out of 100)
Shareholders	25%	93,85
Public Disclosure and Transparency	25%	95,67
Stakeholders	15%	93,95
The Board of Directors	35%	90,38

This result is an indicator that the risks which might arise for our Company have been substantially detected and these risks can be taken under control and the rights and interests of shareholders and stakeholders are maintained fairly by the company. In addition to this, our company has reached up to an upper level in the fields of public disclosure and transparency activities and this subheading is among the headings where the company's score has been increased the most.

Our company aims to implement the improvements as soon as possible concerning Board of Directors category where the lowest score was reported.

Our Corporate Governance Rating Report can be reached through our website and www.kap.gov.tr link.

There is not any conflict of interest between İzocam and the companies which provide investment consultancy and rating services. The company carries out its activities in the context of internal regulations and the criteria determined by the ethical principles and it is paid great attention not to cause any conflict.

Generally, although our Company fully complies with the principles which are obligatory within the scope of the Directives, it complies with majority of the non-obligatory principles and continues its activities for further improving its corporate governance practices. There is not any conflict of interest instead of the already applied principles and arising from the following issues summarized below and which have not been implemented, yet.

There is a female member in the Board of Directors of our company. The Article 14-1 of the Articles of Incorporation of our Company has been amended in the Extraordinary Shareholders' Assembly Meeting held in 16th June 2015 and compliance with the recommended female member of the board of directors directive has been complied. According to this amended article, "The Company takes care of increasing the number of female members in the board of directors having sufficient knowledge and experience among the persons to be shown as candidates in the General Assembly for selecting the Board of Directors". Furthermore, in addition to this regulation, the policies for reaching the target rate for female members' ratio which is minimum 25% and the related duration to achieve these targets are currently under development.

In accordance with the Article 4.5.6 of the Corporate Governance Principles, the wages and all other benefits provided to the Members of the Board of Directors and the Directors with executive responsibilities are collectively disclosed to public by means of Annual Activity Report.

Our willingness and decisive approach to generate solutions in the areas where there is a need to meet the requirements related with compliance and improvement by interiorising corporate government principles will continue in the upcoming period just like we did in 2017.

Corporate Governance Principles Compliance Report

SECTION II – SHARE HOLDERS

2.1. Investor Relations Unit

It provides written and verbal communication of us between Shareholders, İstanbul Stock Exchange, CMB, CRA and our investors.

Totally 18 information requests from shareholders have been replied by our Unit through telephone in January-December 2017 term.

The informations requested from Investor Relations Department within January-December 2017 term have been stated below;

- Information on Company's financial statements relating to past and 2017 first quarter results
- General profitability status of the Company and profit expectations for following terms,
- Current investments and future investment decisions of the Company,
- General information on fluctuations on Company's share prices,
- Information whether no charge increase shall be or not,
- Information on change in İzocam's upper management,
- Information whether there is a decision on Company share's dequotation or not
- The Ordinary General Assembly Meeting on general activities of 2017 was held on 22 March 2017. It has been provided that General Assembly meeting is held in accordance with the legislation in force, Articles of Association and other intercorporate regulations.
- The document for utilization of shareholders in General Assembly has been prepared.
- The results of voting have been registered, and it is provided these results to be sent to demanding shareholders later on.
- The Company held Extraordinary General Assembly Meeting on 16 December 2017 for the purpose of increasing number of Members of Board of Directors and providing information relating to Members of Board.
- Any terms relating to public disclosure required by the legislation have been observed and followed.
- Utmost care is taken in Compliance to Capital Market Law legislation, Articles of Association and other intercorporate regulations on fulfillment of our Shareholders demand related to usage of their rights and precautions to provide using of these rights are taken. There were no written/verbal complaint or any related administrative/legal proceedings started against our company within our knowledge submitted to our company within January-December 2017 term.
- Obligations arising from Capital Market Legislation has been followed and fulfilled, including all the issues related with corporate governance and public disclosure.
- Within the scope of information policy, relations with shareholders have been maintained regularly; trustable and regular information access related with the company has been provided. It was ensured to inform the shareholders by quickly and completely updating the information such as activity report, profit announcements on company's Internet site.
- 17 Necessary Material Disclosures within January-December 2017 term have been announced through Public Disclosure Platform taking into consideration the communiques and laws of Capital Markets.
- Changes in Capital Markets Law and relevant legislation has been followed and presented to the attention of relevant units of the company.
- Information requests of undergraduates, postgraduates and faculty members making research about our company and the sector have been satisfied.

There is an Investor Relations Unit in our company. This Unit is managed by the unit in charge, constituted within Assistant General Management Responsible of Financial and Administrative Affairs of our Company.

Contact Details of Investor Relations Officers:

Doruk Özcan ozcan@izocam.com.tr

Dilek Pehlevan pehlevand@izocam.com.tr

Öner Torun torun@izocam.com.tr

Tel: 0216 440 40 50
Fax: 0216 440 40 75

Manager of Investor Relations Unit, Doruk Özcan is the holder of Capital Market Activities Advanced Level License and Corporate Governance Rating Certificate License. Employee of Investor Relations Unit, Dilek Pehlevan and Accounting Manager under Assistant General Management Responsible of Financial and Administrative Affairs, Öner Torun are the holder of Corporate Rating Certificate License.

2.2. Exercising The Right To Information by Shareholders

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

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

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

During the reporting period, the activities of the company have been periodically audited by Independent External Auditor (Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. – KPMG) assigned by General Assembly and the comments related with these issues are displayed on the internet site of the company.

2.3 General Assembly Meetings

Within 2017, The Company General Assembly was conveyed ordinarily in 22nd March 2017 and meeting and decision quorum has been ensured during the session. All shareholders and stakeholders as well as media (media organs) have been invited to our General Assembly meeting.

The decisions taken in the Ordinary General Assembly Meeting where the activities of 2016 were discussed have been registered by the Commercial Registry Office of Istanbul on 30.05.2017 and were declared in Commercial Registry Gazette of Turkey issue dated 05.06.2017 no 9340 (pages 918-920).

Extraordinary General Assembly was held on 06 November 2017 and decision quorum was ensured for the session. All shareholders and stakeholders as well as media (media organs) have been invited to our General Assembly meeting.

The invitations to General Assembly Meetings has been made by the Board of Directors of the Company in accordance with the provisions of the Turkish Commercial Code (TCC), the Capital Market Law and the Articles of Association of the Company. The required calls and explanations are made through KAP when a decision is taken by the Board of Directors for holding a General Assembly and since 2013, the calls and invitations as well as attendance and voting related with the shareholders’ assemblies have been done via the Electronic Shareholders’ Assembly System (ESAS) which is within the structure of Central Registration Agency. The declarations of the meetings are published on the Commercial Registry Gazette of Turkey, KAP, ESAS and website of the company in accordance with the Directives of the Capital Market. The address where the financial statements subject to independent audit can be reviewed is disclosed in these declarations.

Besides, the “information about total number of shares and right to vote which reflect structure of the partnership, management and activity revisions which realized in previous fiscal periods or planned may affect significantly the partnership activities as of the explanation date and reasons of these changes; about information if there is any dismissal, change or election of the board of directors on the agenda of the general assembly meeting, reasons of the dismissal and change, CVs of the candidates informed to the partnership, tasks executed in recent ten years by them and their dismissal reasons, the relation qualification

Corporate Governance Principles Compliance Report

between partnership and related parties of the partnership and its importance level, whether they are independent or not and in case of such persons being elected as Board Members, information about similar matters may affect the partnership activities; demands of the shareholders of the partnership forwarded in written to the Investor Relations Department for putting an item to the agenda, if the Board of Directors does not accept the shareholders' suggestions about the agenda, the not accepted suggestions and refusal reasons, in case there is any amendment of the articles of association on the agenda, former and new texts of amendments of the articles of association with the related board of directors resolution" the documents to be kept available to examination of the shareholders within the framework of article 437 of the Turkish Commercial Code and, obligatory notifications and statements that has to be done pursuant to relevant legislation is announced to the investors arrestingly on the website www.izocam.com.tr and the Public Disclosure Platform three weeks in advance and together with the General Assembly Meeting Announcement.

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

The three of Board Members and Assistance of Managing Director Finance and Administration, Corporate Account Manager, Finance Manager, and Auditor who are responsible for preparing of financial statements attended to the meetings.

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

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

The dividend policy, Share Buyback Policy and Donation and Aid policy has been submitted for the information and approval of the shareholders.

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

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

2.4. Rights to Vote and Minority Rights

All practices complicating the right to vote are avoided in our Company. There is no any privilege about this subject in the Articles of Association. There are no complicating procedures neither in Articles of Association nor internal regulations regarding shareholders' usage of their voting right and such approach has been particularly avoided. The legal entities which are our affiliates and reciprocal shareholding companies do not taken part among our shareholders.

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

2.5 Rights to Profit Share

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

Our Company's dividend policy that was approved at the Ordinary General Assembly held on 22 March 2017 is as below.

Profit Distribution Policy

Our Company distributes dividend to the shareholders provided that it is not less than the calculated distributable profit according to communiques of the Capital Market Law in consideration of its long-term strategies, investment and finance plans and profitability the business. The dividend payment can be distributed in cash or bonus share (by supplying from the Company resources) as well it may be partly in cash and partly bonus share. Other distribution methods are also practiced in accordance with related legislation, communiques and regulations of CMB.

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

The profit distribution is realized within the legal terms in accordance with the Turkish Commercial Code and the Capital Market Law. The Company submits the profit distribution policy at the Ordinary General Assembly meeting with a separate agenda for the Shareholders' information and announces to the stakeholders with the activity report and in its website. If the profit distribution is not done, the Board of Directors shall give information to the General Assembly about why it is not distributed and where it is used.

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

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

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

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

Primary Legal Reserve

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

First Dividend

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

Second Dividend

c) General Assembly is authorized to distribute the amount to remain after deduction of the amounts mentioned in "a" and "b" clauses partially or wholly as second dividend or set aside as extraordinary reserve.

Secondary Legal Reserve

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

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

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

Corporate Governance Principles Compliance Report

2.6. Transfer of Shares

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

SECTION III – PUBLIC DISCLOSURE AND TRANSPERANCY

3.1. Corporate Internet Site and its Content

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

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

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

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

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

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

3.2. Activity Report

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

SECTION IV – STAKEHOLDERS

4.1. Informing the Stakeholders

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

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

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

The Company has announced its indemnity policy for the employees on www.izocam.com.tr. The stakeholders related with the Company are informed by inviting to meetings or using telecommunication instruments on matters related to them, when necessary.

4.2. Codetermination of the Stakeholders

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

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

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

Dealers and Customers: Our Company has 144 dealers totally as 127 at home and 17 abroad. An independent company is regularly conducting dealer satisfaction surveys and the results are presented to the managers through contract meetings. Necessary updates are performed after the views of the dealers and customers obtained through the surveys are evaluated by the authorized departments.

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

As of 17 March 2010, our Company has started to use DBS that offers a different and new collateral structure for collecting the debts. The banks contracted under this system determine credit limit for the dealers of the Company instead of the Company itself, make the collection and keep the collected amounts in the blocked account for one day before transferring into the corporate account. All of the domestic dealers have used collecting through DBS as of 31.12.2017. And, facility to make transaction on virtual POS has been provided to our dealers as of 2014.

The orders are received and followed up through the "İzocam24 Portal" link specially designed for the dealers on the internet. 127 domestic dealers and some customers are executing their orders through "İzocam24 Portal".

Corporate Governance Principles Compliance Report

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

4.3. Human Resources Policy

Company's Human Resources Policy is approved by Board of Directors Resolution no 744 dated 17th February 2015 as below.

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

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

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

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

Both job definition and allocation of responsibility along with the performance and awarding criteria are all disclosed to all employees. Productivity is taken into consideration for determining the wages and other benefits of workers. No language, religion, gender, race etc. discrimination is done during recruitment and between employees. The rights of employee are granted justly.

Financial results of the company together with the subjects related with career, wage, training, health are all informed to employees through informative meetings. On the purpose of ensuring the participation of workers in management, benefiting from their views and reinforcing healthy communication methods like;

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

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

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

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

Training and Development of the Employees

Our company prepares training plans every year in order to implement and achieve the expectations and targets of the company.

The details of the trainings provided in 2017 are given below as reference;

- External Educations: 7,715 hours
- Internal Trainings: 17,092 hours
- E-Trainings: 2,746 hours
- Total Hours of Training: 27,553 hours
- Hours of training per person: 59 hours (at the end of December 2016; average number of people: 446)

Intercommunication and Social Activities

The "Communication Plan and Procedure" which was prepared one year ago in order to ensure efficient flow of information between the employees and the company, has been implemented in 2017 and various communication activities have been carried out throughout the year.

- Managing Director - New Year Informative on Speech
- EHS Day (Environment and Occupational Health and Safety Day)
- Information Security Policy
- Clean Desk and Clean Screen Policy
- Personnel Night (participation of the company personnel with their spouses arranged in Mersin and Istanbul)
- Open Door Meetings in all facilities

The following sight benefits and activities have been provided in 2017 in order to increase the motivation and loyalty of employees:

- Private Pension
- Private Health Insurance
- Personal Development Trainings
- Theatre, Movie, Exhibition and Trip activities
- Personnel Night Celebrations
- Circumcision Ceremony for the Children of Employees
- Exchange of festival greetings and new year celebrations
- Birthday celebrations

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

4.4.1 Insulation Master Trainings

Since 2004, the experienced and specialized training staff of İzocam consisting of architects, engineers and technicians organizes trainings in İzocam Workshops located at the Training Worksite of Turkey under supervision of the specialized instructors assigned by the Ministry of Education.

İzocam has organized free trainings for its employees to get "CPC Certificate of Professional Competence" which has become mandatory for the masters working in the construction and installation works which was put into effect by a new legal regulation enacted in 2016. The trainings for 2017 CPC Thermal Insulation Masters were carried out in 17-20 January, 14-17 February, 14-17 March, 18-21 April, and 21-24 November, CPC Gypsum Board Implementer (Insulated Wall and Suspended Ceiling Systems) master trainings on 04-10 February and 28 February-03 March.

The trainings have been provided by the experienced and specialized training staff of İzocam consisting of architects, engineers and technicians under the supervision of specialized instructors assigned by the Ministry of Education.

Corporate Governance Principles Compliance Report

The Thermal Insulation Expert, Professional Competence master's trainings provided in accordance with the regulations of the Occupational Competence Institution (OCI) for the masters working in thermal insulation works in worksites to develop their professional qualifications consist of Work Organization in Thermal Insulation, Occupational Health and Safety, Thermal Insulation of Foundations, Floorings and Ceilings, Thermal Insulation of Walls (Plastered Exterior Insulation Systems-Jacketing and Internal Insulation Systems for Exteriors) and Thermal Insulation Practices for Roofs.

In the Thermal Insulation Master's Trainings that is implemented in two phases as theoretical and practical trainings at the İzocam Workshops of Training Worksite of Turkey, correct details and proper practices as well as material cognizance are instructed to masters and it is ensured that wrong applications are corrected and correct details are provided to the sector. In addition to these, the information on understanding projects and performing quality takeoffs are provided to the participants of these trainings and self- development of attendees are supported.

After trainings, tests are held by the Accredited Certification Centers for certification of masters. In the assessment and evaluation test consisting of two phases as theoretical and mainly practical, the qualifications of masters for deserving to get the Certificate of Professional Competence are assessed.

After, the Master's Training for Professional Competence of Thermal Insulation Masters, the PCC Certificates of Professional Competence for Thermal Insulation are presented to the masters who become successful as a result of the assessment and evaluation conducted by the accredited test center. The PCC Certificate of Professional Competence is considered as an accredited certificate with National and International validity.

The ones who desire to get the PCC Certificate of Professional Competence which will replace the Certificate of Mastership in the frame of National Professional Standards can perform their applications to İzocam.

It is possible to take the PCC Certificate of Professional Competence by participating in the aforementioned trainings or the masters can take the test by directly applying the accredited institutions for the subjects they consider themselves sufficient and confident. Taking the test by participating in the trainings is also important for succeeding in it and benefiting from trainings.

As of the end of December 2017; 2,035 masters who have become successful in our master's trainings have been granted Ministry of National Education approved certificates in our trainings provided in Plastered Exterior Insulation Systems (Jacketing), Insulation of Industrial Structures and Roofs and Insulation of Insulated Gypsum Board Walls and Suspension Systems (Interior Insulation) subjects.

In all our trainings, we aim to improve qualifications of employees who in work in insulation, sector, thereby we provide necessary knowledge, skills and behaviors for the new workforce demanded for the sector and the profession, so as to put an end to the usage of wrong and unnecessary materials and practices and protect consumer rights as well as developing the economy of our country. Furthermore, the participants of all these trainings are provided information on expanding the insulation and energy saving awareness, providing maximum benefit from insulation comfort and protecting environment by means of using insulation.

4.4.2. İzocam Student Competition

İzocam has been organizing an "Insulation Contest for University Students" every year since 1999 in order to develop insulation awareness among university students and ensure interdisciplinary cooperation and skill development. İzocam has been taking part in the International Student Contest organized by Isover and by this means has supplemented an international dimension to its contest since 2009. In the light of the theme of the contest, each year the students with the first three degrees win the right to represent our country in the international contest and compete with other students from various countries. Thereby, they have the opportunity to meet with other students and academics from other countries and have the opportunity to see the

architectural structure, geography and historical artifacts of these countries.

The name of insulation contest has been changed as “İzocam Student Contest” in the end of 2015. All processes of the competition presented for participation of the graduate and post-graduate students continuing their education at universities are executed through www.izocamogrenciyarismasi.com web site.

120 registers of application received for 17th İzocam Student Competition in 2017. 18 teams have completed project delivery. Theme of 2017 İzocam Student Competition was determined to develop an idea project to stimulate the region by considering inter-generations cohesion with a scenario of converting the current settlement of Ggran San Blas region to a sustainable and “reproducible settlement” in balance with the climate for urban transformation. The finalist students among the attendants have presented their projects on-air to the jury in Building Information Center on 6 May 2017. The first three projects ranked at the top by jury’s evaluation, represented our country in the international finals organized in Madrid on 25 May-2 June.

4.5. Corporate Social Responsibility Policy

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

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

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

Our company works with the desire to be a friendly brand for its customer and develops projects for the requirements of society.

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

4.6. Social Media Campaigns

4.6.1. İzocam Mother’s Day Campaign

Our campaign we created through <https://twitter.com/izocamOfficial> - <https://www.instagram.com/izocamofficial> accounts for “Mother’s Day” has been held between 11- 14 May. Our followers have been requested to share their photograph with their mother on their instagram accounts through #annesicakligi and #izocam hashtags to attend our campaign. The 50., 100., 200., 350., 550., 700., 900., 1100., 1300. ve last follower attended our campaign through stated hashtags were gifted by Paşabahçe Turkish delight dish.

1,603 likes, 115 sharings, 68 comments have been received through our Mother’s Day campaign. This campaign have reached 61,965 people between 11-14 May.

4.6.2. Partition Plate Gif Campaign

“Partition Plate” Gif Campaig we constituted through <https://www.facebook.com/izocam-> , <https://www.instagram.com/izocamofficial>

accounts have been realized between 25-28 June 2017.

In our competition on Partition Plate, our users have been requested to screenshot our competition Gif taking place in our Instagram and Facebook page and expressing opportunities of partition plate, and share it on their instagram accounts or under Facebook content by using #ustadostu and #izocam hashtags.

Corporate Governance Principles Compliance Report

5,893 web site clicks and 118,779 web site looks have been received in our Partition Plate campaign.

Our competition gif, video and complementary contents have been achieved 176,139 views in total, reached to 143,058 people and received 19,530 interactions.

4.7. Codes of Conduct

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

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

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

SECTION V- BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

The Board of Directors of our Company is structured in accordance with provisions of article 11 of our Articles of Association. Managing Director Mr Levent Gökçe works as a executive member at the Board of Directors. The Board of Directors of our Company consists of 9 Board Members including 2 independent members. Following the General Assembly meetings where Board Members were elected, by means of resolution for task distribution, the Chairman and the Vice-Chairman were determined and the Committee in charge of Audit, the Corporate Management Committee and The Early Risk Detection Committee were appointed. In case of termination of Board Membership in the period, provisions of article 363 of the Turkish Commercial Code are applied.

Curriculum Vitae of the Board Members selected at the General Assembly meeting dated 16 November 2017 and continuing to their tasks within the period is submitted below:

François - Xavier Moser

François - Xavier Moser is citizen of French and a graduate of Ponts et Chausees.

Since 2012 he runs General Delegate of Compagnie de Saint -Gobain for Poland, Romania, Bulgaria and Turkey. During his Saint Gobain career started in 2000, he worked as Managing Director in various companies of the group specialized in production and distribution of flat glass. Moser worked as Managing Director on BMRA, an association of Saint-Gobain, between 1996-2000.

Mr. François – Xavier Moser has no executive duty. He is not an Independent Member. He works as Member of Board of our company since 22 March 2016.

Samir Kasem

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

Samir Kasem is currently working as President of Alghanim Industries (Kuwait) Industry and Trade Group and is a Board Member of İzocam Tic. ve San. A.Ş. since 2010. Prior to joining Alghanim Industries, Samir Kasem worked in several positions at General Motors of Canada Limited. And through his career with Alghanim for over 10 years, he worked at managerial status in various departments including automotive, engineering and retail.

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 currently Vice Chairman of the Boards of our Company.

Robert Etman

Robert Etman was graduated from Technical University of 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 İzocam Tic. ve San. A.Ş. He worked at several managerial status in Unilever PLC for over 20 years 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 İzocam Holding A.Ş. which is a Saint Gobain/Alghanim Partnership and he is not an Independent Member. He works as Member of Board of our company since 25 November 2013.

Hady Nassif

Hady Nassif is a holder of Bachelor's degree and MBA from the American University of Beirut. He also attended a number of executive programs at INSEAD Business School at Fontainebleau.

After starting his career in the steel industry, he joined Sodamco Group in 1998. He launched operations in Dubai - UAE, before being appointed as Managing Director for Lebanon in 2000. He became Executive Director and shareholder of the Group in 2005, and led the fast development of Sodamco industrial mortars and concrete admixtures activities in 8 countries of the Middle East. Following the acquisition of Sodamco Group by Saint-Gobain Weber in 2012, Hady Nassif was appointed as Regional CEO for Saint-Gobain Construction Products Sector for the Middle East Region in 2014.

On 1st January 2016, he was appointed General Delegate for Saint-Gobain Group in the Middle East. He is a Member of Board of our company.

Arif Nuri Bulut

He was born in Ankara in 1953. He completed his graduate education in Saint Joseph French High School. He graduated from Istanbul Technical University in 1979 as Mechanical Engineering m.s.c. He completed master degree on business administration in Koç University (MBA) in 1994-1995.

He worked as Project Engineer in Tokar A.Ş. during his post graduate education between 1978-1979. He began to work as Production Chief in Gebze Plant of İzocam in 1981. He worked as Production Manager between 1984 - 1986, as Projects Manager in Head Office between 1986-1994 and as Engineering Manager between 1994-1996. He was appointed as Technical Assistant Managing Director in 1996 and worked in this position until 2002. He continues his position as Member of Board and Managing Director of the company as of 2002.

Corporate Governance Principles Compliance Report

He is married and is the father of one son, he is fluent in French and English.

A. Nuri Bulut has an executive duty according to CMB's Corporate Governance Principles, and he is not an independent member. Besides the duties he has assumed in last 10 years, he is still an Independent Member of Board in Tat Konserve A.Ş.

Gülsüm Azeri

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

During an important part of her career, Gülsüm Azeri has been one of the top executives of Şişecam. She was Şişecam Chemicals Group President between 1994-1998, Şişecam Glassware Group President between 1999-2007 and Şişecam Flat Glass Group President between 2007-2011. She held the position of Executive Committee membership of Şişecam between 1994 and 2011. Presently Mrs. Gülsüm Azeri is CEO and Board Member of OMV Petrol Ofisi A.Ş. and OMV GazveEnerji Holding A.Ş., as well as chairperson of OMV Petrol Ofisi Holding A.Ş. Between 2004-2008, she was the Chairperson of the "European Glass Federation Glassware Committee", and between 2009-2011 was a member of the Board of Directors of "Glass for Europe" which is the European Flat Glass Manufacturers' Association. Gülsüm Azeri has been a member of the Board of Directors at "Istanbul Chamber of Industry" (ISO), Executive Committee Member of "Turkish Exporters Assembly" (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 Member of Board since 2012.

Azeri has no executive duty and she 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, she had no relations with İzocam Tic. ve San. A.Ş. or its related parties.

Pol Zazadze

Born in 1970 in Istanbul, Pol Zazadze works as the Managing Director of Personna Tıraş Ürünleri ve Kozmetik San. Tic. Ltd. Şti. He completed his high school education at Robert College (1987), and higher education in The American University of Washington DC (1991). He completed his MBA degree at Harvard Business School in 1998. He was honored by Georgia's Akaki Tsereteli University with the title of honorary PhD in 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 working as Member Of Board in various companies of Zaza Companies Group since 2000, and he has also been working as the Managing Director of Personna Tıraş Ürünleri ve Kozmetik San. Tic. Şti. since 2009. He left Paladin Gayrimenkul Geliştirme İnşaat Ltd. Şti. where he had worked between 2007 and 2009 as the company was closed down. He has been working in İzocam Tic. ve San. A.Ş. as an Independent Member of Board since 2012.

Pol Zazadze has no executive duty and 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.

Levent Gökçe

He was born in Söke-Aydın in 1967. He was graduated from Department of Mechanical Engineering in Middle East Technical University and then completed International Business Management program in İstanbul University Faculty of Management. He worked as General Director in Saint-Gobain Weber Yapı Kimyasalları San. ve Tic. A.Ş. between 2005 - 2017.

He works as General Director in İzocam Ticaret ve Sanayi A.Ş. as of 1st April 2017. He is married and father of two children, he speaks English.

Ahmad Hammoud

He is graduated from Beirut American University Department of Electricity Engineering and he began to work at Engineering Group in Alghanim Industries in 2000. He respectively worked as Engineering Chief, Alghanim Industries – Project Engineering Group Managing Director and since 2010 he has been working as Alghanim Industries – Engineering & Insulation Vice President. He is İzocam Member of Board since November 2017.

Independency Statements Of Independent Board Member Candidates;

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

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

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

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

5.2. Activity Principles of the Board of Directors

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

The Chairman and General Director are not same person.

Agenda of the Board of Directors meetings are determined based on the information transmitted to the Company senior management and Members of the Board by the relevant units about the matters that the Articles of Association commands to be resolved by the

Corporate Governance Principles Compliance Report

Board of Directors. Apart from this, the meeting agenda is determined also upon the information transmitted to Company senior management by any of the Board members about a specific subject to be resolved.

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE COMMITTEE

President	Member
Pol Zazadze	François - Xavier Moser
	Robert Etman
	Doruk Özcan

EARLY DETECTION OF RISK COMMITTEE

President	Member
Pol Zazadze	Hady Nassif
	Robert Etman

AUDIT COMMITTEE

President	Member
Pol Zazadze	Gülsüm Azeri

Members of the Board elected at the General Assembly Meeting held in 22 March 2017 convened in 29 March 2017 and shared the tasks. There were no changes in elected Board of Directors and Committee membership within the year.

Considering the current structure of the Board of Directors; it was resolved that the duties of Nomination Committee and Wage Committee shall be fulfilled by Corporate Governance Committee.

There is 1 woman member in the Board of Directors and she constitutes 11% of the total number of Members of the Board.

The Committee in charge of Audit convened 8 times within the year and submitted the financial reports and other assessments under the working principles to the Board of Directors. The Corporate Governance Committee convened 2 times within the year and submitted the suggestions and minutes to the Board of Directors. The Early Risk Detection Committee convened 6 times and submitted the company assessment report to the Board of Directors.

5.4. Risk Management and Interior Control Mechanism

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

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

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

Efficiency of the interior control system is tested through the inter-corporate controls also. Directorate of interior control works under the Managing Director and it is in direct contact with the Audit Committee and the Early Risk Detection Committee. Besides, a Working Group for Early Detection of Risk is formed within the company structure, this group holds regular meetings and makes plans to take the necessary actions by revising the existing and possible risks. The notes of the meetings are shared with the members of the Early Risk Detection Committee and recorded by separate meeting minutes.

Board of Directors' committees have continued their activities in compliance with regulations also in 2017. Committee convened 6 times within the year and submitted their reports to the Board of Directors after evaluating the potential risks that the company may experience. Improvement activities belonging to the established potential risks are monitored in close connection with the senior management. The Audit Committee of the Company convened 8 times within the year. The financial reports are examined, interviews are made with independent auditing and tax firms, and the internal control system of the company is revised continuously by sharing the results of the audit.

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

Corporate Governance Principles Compliance Report

5.5. Strategic Targets of the Company

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

The long-term plans of the Company are prepared within first six-months of each year in a way to involve three-year periods so as to include previous three-year trends.

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

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

5.6. Financial Rights

A detailed informing was made in Ordinary General Assembly meeting dated 22.03.2017 regarding "Pricing Codes Related With The Board Of Directors Members And Senior Executives" approved in General Assembly dated 23.05.2015.

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

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

Pricing Codes Related With The Senior Executives

Purpose and Scope

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

Principles and Code of Practice

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

Authorized Committee

- Company corporate governance committee prepares a proposal related with pricing based on the performance of senior executives, by taking into consideration the long-term goals of the company and submits this proposal to the board of directors. While the Board of Directors determines the salaries of senior executives, the Pricing Codes of Board of Directors' Members is decided at the General Assembly as an agenda item. Execution of these processes by the corporate governance committee do not annihilates the

responsibility of the board of directors or the auditor.

- Equal pay for equal performance principle is adopted. The salaries are balanced by taking into consideration the features like the importance, complexity and responsibility, risk of the task.
- When discharging its responsibility and fulfilling its task, committee examines all kinds of documents it needs related with the pricing.
- Besides the legislation, committee also takes into consideration the current financial position of the company, its targets and future revenues when deciding.

Pricing

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

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

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

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

Corporate Governance Committee



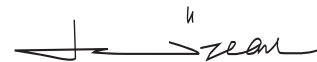
Pol Zazadze
Corporate Governance
Committee President



Hady Nassif
Corporate Governance
Committee Member



Robert Etman
Corporate Governance
Committee Member



Doruk Özcan
Corporate Governance
Committee Member

Information and Evaluations on Risk Management

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

Besides, Early Detection of Risk Committee Sub-Working Group that includes the operational processes within the company has been created with the aim of determining the threats that might be faced in order to reach the company targets, measuring the possible risks on the basis of determined criteria and guiding the managers in resolution process.

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

Information About The Early Detection of Risk System and Committee Auditor Report

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

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

Board of Directors' Responsibility

According to Clause 1 of Article 378 of Turkish Commercial code (TCC) no 6102, Board of Directors is responsible for creating a specialized committee, making the system work and improving it, with the aim of early determination of causes that endangers the existence, development and continuance of the company; management of the risk and application of required remedies and measure.

Auditor's Responsibility

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

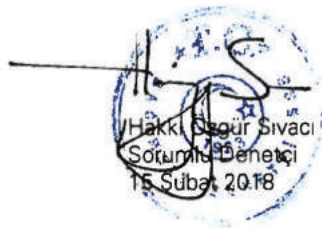
Information about the Early Detection of Risk System and Committee

The aim of Early Detection of Risk System and Committee ("the Committee") is early detection of risks that endanger the existence and development of the company, management of risk and taking necessary measures and remedies for this end in the consideration of risk projects carried out in corporate level. The Committee was authorized as two members and one president by Board of Directors decision no 705 dated 3 April 2013. The committee convened 6 times within 2017 on 6 March 2017, 13 March 2017, 8 May 2017, 5 June 2017, 19 September 2017 and 24 October 2017.

Result

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

The early detection of risk system committees are responsible to submit their evaluation report in every two months to Board of Directors in accordance with article 378 of TCC, and it was seen that signatory of Committee President exist on 2 of minutes of meetings respective to meetings held by early detection of risk system committee within 2017, and the documents were sent to abroad to complete remaining signatory.



Hakkı Özgür SIVACI

Cap Auditor

İstanbul, 15th February 2018

Emerging Highlights After Closure of Accounting Period

No highlight has occurred during the period after closure of accounting period until General Assembly Meeting where respective financial reports would be discussed.

Other Subjects

In 2017, we won Galaxy Awards Honorable Mention with design of 2016 Activity Report.

In 2017, we won The First Prize on Insulation Materials Category within “Successful Exporters of 2016” Awards.

2017 Commitment Report

The result part of our Commitment Report prepared in accordance with with the Article 199 of Turkish Commercial Code is as below.

On all the transactions between the parent company and affiliated companies covering the period 01.01.2017- 31.12.2017, according to status and conditions known by our side, through guidance of parent company, on legal transactions done for the benefit of parent company or an affiliated company of it, all measures to have been taken or avoided to be taken for the benefit of parent company or an affiliated company of it in operating year 2017, have been assessed. With respect to operating year 2017, there is no loss as a result of a transaction occurred in accordance with known status and conditions and no advantages were afforded, no equalization of advantages or loss obtained by parent partner existed.

We hereby declare that in 2017 operating year, İzocam Tic. ve San.A.Ş. has not been exposed to any loss as a result of the transactions performed in accordance with the Article 199 of Turkish Commercial Code No. 6102.



François - Xavier Moser
Chairman



Samir Mamdouh Kasem
Vice Chairman

53. Ordinary General Assembly Meeting Agenda

Date : 21th March 2017, Wednesday, at 10:00 a.m.

Address : Renaissance Polat Istanbul Hotel,
Sahil Yolu Cad. ECAC Doc No 30. 2 Yeşilyurt

Agenda

1. Opening ceremony and election of the Presidential Board,
2. Disclosure, discussion and approval of annual Activity Report prepared by Board of Directors.
3. Disclosure of the report of Independent Audit Institution KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
4. Disclosure, discussion and approval of financial statements.
5. Releasing of the Members of the Board pertaining to activities of Company in the reporting year 2017.
6. Informing of the shareholders about Dividend Distribution Policy of Company.
7. Approval, approval upon amendment or disapproval of the distribution of the dividends out of the profit and of the proposed date for dividend distribution,
8. Determination of the total number of Board Members, enlightenment of shareholders about the tasks of Independent Members of Board proposed by Corporate Governance Committee and other Members of Board outside the company and the related reasons, selection and amendments of members and determination of their duty periods,
9. Determination of salaries and rights of Members of Board such as attendance fee, bonus and premium,
10. Approval of Independent Audit Company selected by the Board of Directors,
11. Informing the shareholders about the wage policy for the Members of Board and Senior Managers,
12. Informing and approval of the partners about Company's Donations and Aid Policy, informing Shareholders about beneficiaries and amount of donations and aid granted to foundations and associations and determining an upper limit for the donations and aids to take place in 2018.
13. Pursuant to the regulations of the Capital Market Board, giving information to the Shareholders about revenues or benefits achieved through warrant, lien, mortgage and bailments given by the Company and subsidiaries thereof for the 3rd persons in 2017.
14. Informing of the Shareholders about the Share Buy Back Policy.
15. Authorization of the Board members as per Articles 395 and 396 of the Turkish Commercial Code in order to enable them to perform activities that fall within the scope of the Company's business on their behalf or on behalf of third parties and to become shareholders to companies which perform such activities,
16. Informing General Assembly about whether there were important transactions in 2017 which may result in conflict of interest of shareholders who have management control, Board members, administrative managers and their spouses and relatives up to second degree or the subsidiaries.
17. Informing General Assembly about transactions with related parties in 2017.
18. Authorizing the council for signatory of minutes of the meeting,
19. Wishes.

Fixed Assets

We hereby submit for your information the values of our fixed assets as of end of year comparative to previous year.
(Calculated According to the Communiques of Capital Market Board)

COST (TL)

	31 December 2017	31 December 2016
Land and parcels	5.991.310	5.997.308
Land improvements	5.601.344	5.115.932
Buildings	63.274.372	57.664.531
Plants, Machinery and Equipment	244.930.521	225.985.042
Fixtures	9.599.853	8.921.011
Special costs	2.907.323	1.140.980
Ongoing investments	5.631.885	9.042.449
Total cost	337.936.608	313.867.253

ACCUMULATED DEPRECIATION (TL)

Land improvements	3.548.659	3.387.760
Buildings	24.032.780	22.574.509
Plants, Machinery and Equipment	178.549.998	175.999.847
Fixtures	7.483.252	6.655.241
Special costs	619.562	395.366
Total accumulated depreciation	214.234.251	209.012.723
Net book value	123.702.357	104.854.530

Profit Distribution Policy and Profit Distribution Suggestion

Profit sharing policy of our company is defined in Corporate Governance Principles Compliance Report and the profit sharing proposal that the Board of Directors will submit for the approval of General Assembly related with the distribution of profit belonging to 2017, is below;

In compliance with the communique of the Capital Market Board with no. II.14.1, as seen from financial statements and footnotes prepared as of 31.12.2017, we have 17,982,724.00 TL net period profits in our income statement and according to the legal records a profit of 18,544,174.57 TL has been gained.

We submit and offer transfer of the whole remaining of our 2017 period income to extraordinary reserves after keeping part of legal reserves according to Turkish Trade Law, Capital Markets Law and company's Articles of Association.

The registered capital ceiling of our Company is 60 Million TL and its issued capital is 24.534.143,35 TL. There has not been any change in the issued capital of our company within the period. Our company is listed on Borsa İstanbul (BIST) under İZOCM code. There is no participation (fixed asset) in company's portfolio.

The Details Of Transactions With Related Parties

Our trading activity with related parties consists of; royalty service purchase, spare part purchase and mutual commodities purchases and as of 31 December 2017, the volume of this trade, ratio of purchasing operations to cost of sold commodities is 2 % (two percent) and ratio of selling operations to our sales is 0.8% (eight per thousand).

The details of our transactions with related parties for the ended 31 December 2017 and 31 December 2016 period are given in below table.

GOOD AND SERVICE SALES TO RELATED PARTIES

	2017	2016
Saint Gobain Weber Yapı Kimyasalları San. ve Tic. A.Ş. (*)	3.150.963	2.143
Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*)	403.180	607.436
Saint-Gobain Ppc Italia S.P.A. (*)	13.673	-
Saint Gobain Recherche (*)	-	15.484
Kuwait Insulating Material Mfg. Co. (*)	31.070	-
Saint Gobain İnovatif Malz. ve Aşındırıcı San. ve Tic.A.Ş.(*)	1.216	-
Grunzweig Hartman AG (*)	-	851.838
Saint Gobain İsover (*)	-	1.355.328
Saint Gobain Adfors CZ Glass Mat S.R.O.	233.981	1.831.102
Total	3.834.082	4.663.331

GOOD AND SERVICE PURCHASES FROM RELATED PARTIES

	2017	2016
Saint Gobain İsover (*)	1.691.631	-
Grunzweig Hartman AG (*)	1.204.791	-
Saint Gobain Rigips Alçı Sanayi ve Ticaret A.Ş. (*)	731.649	144.232
Saint Gobain Adfors CZ Glass Mat S.R.O.	2.557.941	
Saint Gobain Glass Romania	18.613	27.361
Saint-Gobain Ppc Italia S.P.A. (*)	-	9.544
Saint Gobain Construction Products	146,657	
Saint Gobain Weber Yapı Kimyasalları San. ve Tic. A.Ş.(*)	189.536	199.701
Saint Gobain Seva AG	359.890	
Saint Gobain İnovatif Malz. ve Aşındırıcı San.ve Tic.A.Ş.(*)	1.295	1.376
Kuwait Insulating Material Mfg. Co. (*)		19.985
Total	6.902.005	402.199

* Companies controlled by associations of main partner

The Board of Directors have determined principles of our trade between related parties in accordance with Article 10 of Corporate Management Directives dated 3 January 2014 and no 11-17.1.

“Principles of our Company on commercial transactions of wide currency and sustainability between related parties;

- On purchasing transactions; the good and service to be purchased be in accordance with demanded features, to provide expected quality and performance, entitle the required qualifications on the choice to be made among at least three offers to be received simultaneously as per our purchasing procedures including price and payment terms,
- In sales transactions; to have our minimum sales conditions and keep us advantageous when price, volume, payment terms and sustainability of the job are taken into account,

Our Board of Directors have decided our company to continue current commercial transactions with related parties, on condition not to go out of our principles stated above.”

Board of Directors Annual Activity Report



François - Xavier Moser
Chairman



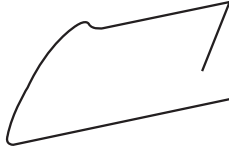
Samir Mamdouh Kasem
Vice of Chairman



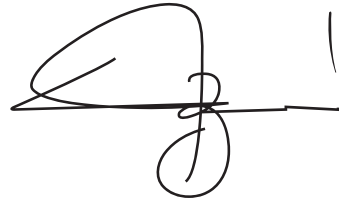
Robert Etman
Member



Hady Nassif
Member



Arif Nuri Bulut
Member



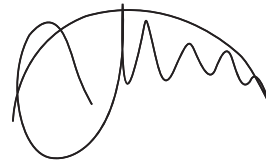
Gülsüm Azeri
Member



Pol Zazade
Member



Ahmad Hammoud
Member



Levent Gökçe
General Director

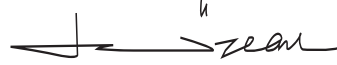
Statement of Responsibility Related to Acceptance of Financial Statements

Regarding the Financial Statements prepared by our Company and audited by KPMG Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and issued on the 31 December 2017 in comparison with the previous year and include Equity Change Statement, Cash Flow Statement and Income Statement dated 31.12.2017, we declare that,

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



Pol Zazadze
Audit Committee President



Doruk Özcan
Financial Affairs Director

Independent Auditor's Report Related with Annual Activity Report of the Board of Directors

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

Opinion

We have audited the annual activity report related with the accounting year 1 January 2017 - 31 December 2017 of İzocam Ticaret ve Sanayi Anonim Şirketi ("Company").

In our opinion, the financial data contained in annual report of the Board of Directors and inspections of the Board of Directors about financial situation of the Company, are in keeping with the full set of financial statements and information we obtained during independent audit and reflects the truth.

Basis For Opinion

The independent audit we carried out was in accordance with independent audit standards published by Capital Market Board ("CMB") and Independent Auditing Standards (IAS), a part of Turkish Audit Standards published by Public Oversight Accounting and Auditing Standards Authority ("KGGK"). Our responsibilities under these Standards, have been explained in detail on Responsibility of Independent Auditor Relating Independent Audit of Annual Activity Report of our report. We declare to be independent from the Company in accordance with Ethical Principles for Independent Auditors (Ethical Principles) published by TCC and ethical provisions included in legislation relating to independent audit. All other liabilities relating to ethics within the legislation and Ethical Principles have also been fulfilled by us. We believe the independent audit evidences we obtained during independent audit constitute an adequate and convenient base for formation of our opinion.

Our Audit Opinion On Full Set Financial Statements

We have given positive opinion in our auditor report dated 15 February 2018 related to full set financial statements for 1 January 2017 - 31 December 2017 reporting term.

Board of Directors' Responsibility for the Annual Activity Report

Company management is responsible for the below regarding annual activity report in accordance with the article 514 and 516 of Turkish Commercial Code ("TCC") no 6102 and the terms of "Communique on Financial Reporting Standards in Capital Market Board" no II-14.1 ("Communique") of Capital Market Board ("CMB"):

- a. Prepares annual activity report within three months following balance sheet date and submits to General Assembly.
- b. Prepares annual activity report by reflecting company's activity flow belonging to that year and financial status at all points in a true, complete, straightforward, fair and honest way. Financial situation in this report is assessed according to financial statements. The report also indicates risks possible to be come across by the Company and that may affect development of it. Assessment of Board of Directors is also included on this report.
- c. Activity report may also include below aspects:

- Events to have occurred in the company after end of operating year and having particular importance,
- Research and development studies of the Company,
- Financial benefits such as salary, premium, bonus, allowances, traveling, accommodation and representation expenses, in cash and kind opportunities, insurances and similar guarantees paid to Members of Board and senior managers.

Board of Directors also take secondary legislative arrangements performed by Ministry of Customs and Trade and respective institutions into consideration on preparation of activity report.

Responsibility of Independent Auditor Relating Independent Audit of Annual Activity Report

Our purpose is to submit an opinion, within the frame of provisions of Turkish Trade Law and the Communique, on the fact that whether financial statements and examinations performed by Board of Directors on financial status of the Company in annual activity report are coherent with the audited financial statements of Company and whether the data we obtained during independent audit reflects the truth, and to draw a report including our opinion.

The independent audit we conducted has been carried out in accordance with independent audit standards issued by CMB and with IASs. These standards require conduction of independent audit by planning to obtain a reasonable assurance relating to the fact that whether financial statements and examinations performed by Board of Directors on financial status

Independent Auditor's Report Related with Annual Activity Report of the Board of Directors

of the Company in annual activity report are coherent with the audited financial statements of Company and whether the data we obtained during independent audit reflects the truth, in accordance with ethical provisions.

KPMG Independent Audit and Independent Accountant and Financial Advisor Incorporated Company
A member of KPMG International Cooperative



Hakkı Özgür SIVACI
Cap Auditor
İstanbul, 28th February 2018

Independent Auditors' Report on the Financial Statements

Independent Auditor Report Relating To Financial Statements For 31 December 2017

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

A) Independent Audit of Financial Statements

Opinion

We have audited the financial statements of İzocam Ticaret ve Sanayi Anonim Şirketi ("Company") relating to accounting period which ends on the same date with statement of financial position dated 31 December 2017; consisting of profit or loss and other comprehensive income statement, equity change statement and cash flow statement, and financial statement footnotes including summary of significant accounting policies.

In our opinion, the attached financial statements submit financial status of the Company in respect of 31 December 2017 and financial performance and cash flow for the accounting period which ends on the same date, in accordance with Turkish Accounting Standards ("TMS") in all aspects in a realistic way.

Basis For Opinion

The independent audit we carried out was in accordance with independent audit standards published by Capital Market Board ("CMB") and Independent Auditing Standards (IAS), a part of Turkish Audit Standards published by Public Oversight Accounting and Auditing Standards Authority ("KGK"). Our responsibilities under these Standards, have been explained in detail on Responsibility of Independent Auditor Relating Independent Audit of Financial Statements of our report. We declare to be independent from the Company in accordance with Ethical Principles for Independent Auditors ("Ethical Principles") issued by KGK and ethical provisions included in legislation relating to independent audit of financial statements. All other liabilities relating to ethics within the legislation and Ethical Principles have also been fulfilled by us. We believe the independent audit evidences we obtained during independent audit constitute an adequate and convenient base for formation of our opinion.

Key Audit Subjects

According to our professional reasoning, key audit subjects are the most significant subjects on independent audit of financial statements of current period. Key audit subjects have been handled within the frame of independent audit of financial statements as a whole and on formation of our opinion relating to financial statements, and we do not express an opinion on these subjects.

Recognition of revenue

Please refer to Footnote 2.4 (a) and Footnote 19 for accounting policies relating to recognition of revenue and significant accounting assessment, estimates and assumptions details to be used.

KEY AUDIT SUBJECT

The Company gets revenue from sales of insulation materials it produces.

As revenue is one of the main performance indicators of the Company, it includes management estimates possible to cause risk for recognition of related revenue in incorrect period. It also includes some key estimates on application of accounting standards relating to recognition of revenue.

The revenue is recognized under situations when significant risk and returns regarding ownership have been transferred to customer.

By nature of Company's activities, there are products which have not been delivered although they have been produced and invoiced to the customer. Ownership rights and risks of products may be transferred to the Customer depending on assessment of delivery conditions to Customer.

Besides, sales income of products of which significant ownership risk and incomes havenot been transferred to the Customer although they have been produced and invoiced to the customer, is recorded as deferred income.

With reference to explanations above, by taking periodicity of sales principle requirement and risks for recognition of revenue in incorrect period, the subject whether revenue obtained from products sales have been recorded completely and truly has been determined as key audit subject.

Independent Auditors' Report on the Financial Statements

HOW TO HANDLE THE SUBJECT DURING INSPECTION

The audit procedures we implemented in this field include below:

Compliance of Company's accounting policy for recognition of revenue has been assessed.

Internal controls the Management formed to test whether it reflects the sales income to financial statements in true period have been tested.

Agreements of the Company with Customers have been examined. This examination include analysis of Company's sales and delivery procedures and assessment of timing for recognition of revenue to financial statements for different shipment arrangements.

In substantive tests we performed for revenue, it has been assessed whether rights and responsibilities respective to invoiced products have been transferred to the Customer. Existence of trade receivables and truth of remaining have been tested through directly provided external confirmations for customers we have determined by sample choice.

Substantive test has been performed on returns to be realized after reporting period, and whether revenue has been duly reflected to financial statements within the period has been tested.

Other Considerations

Financial statements of the Company relating to accounting period ended 31 December 2016 has been audited by another independent auditor and positive opinion have been given to these financial statements on 15 February 2017.

Responsibilities Relating to Financial Statements of Management and Senior Management

Company management is responsible for financial statements to be prepared in accordance with TMSs, presentation of them in a realistic way and the required internal controls for preparation not to include any mistake or significant fraudulent fault.

The management is responsible from assessment of Company's capability of continuing its sustainability, expressing aspects relating to sustainability when necessary, and using basis of sustainability of enterprise as long as it has no intention or obligation to elimination or termination of commercial activity of the Company.

The senior management is responsible from supervising financial reporting period of the Company.

Responsibilities of Independent Auditor Relating To Independent Audit of Financial Statements

Responsibilities of we independent auditor in an independent audit are as below:

Our purpose is to get a reasonable assurance whether financial statements as a whole contain any mistake or a significant fraudulent fault and draw an independent auditor report including our opinion. The reasonable assurance given as a result of an independent audit in accordance with independent audit standards issued by CMB and IASs is a high assurance level, however it does not guarantee an existing significant fault may be always detected. The mistakes may be accidentally or fraudulent. The mistakes that are reasonably expected to effect economical decisions of financial statements users according to these financial statements, are deemed as significant.

By force of an independent audit conducted in accordance with independent audit standards issued by CMB and IASs, we use our professional reasoning and sustain our professional skepticism. And by our side:

- Mistakes or fraudulent "significant faults" risks on financial statements are determined and assessed; audit procedures responsive to these are designed and implemented and adequate and compliant audit proof to constitute a basis for our opinion is obtained. As fraud may contain simulation, forgery, wilful neglect, misstatement or violation of internal control actions, risk of failing to detect a significant fraudulent fault is higher that a risk failing to detect a significant accidental fault.
- Internal control relating to audit is assessed not for the purpose of expressing an opinion regarding efficiency of Company's internal control, but to design audit procedures applicable to the situation.

Independent Auditors' Report on the Financial Statements

- It is assessed whether the accounting policies used by the Management are convenient and accounting estimations and respective descriptions are reasonable.
- A conclusion is drawn on whether a significant uncertainty exists regarding events and conditions possible to cause a serious doubt for Company's capability of maintenance of sustainability and convenience of management's use of continuity of enterprise principal, on the basis of the proofs obtained. In the event that we concluded a significant uncertainty exists, it is necessary that we draw attention to explanations respective to financial statements in our report, or give an opinion other than positive if these explanations are inadequate. The conclusion we have are on the basis of audit proofs obtained until the date of independent audit report. Besides, any events or conditions in the future may end continuity of the Company.
- It is assessed whether financial statements, including the explanations, reflect the general presentation, structure and content, and transactions and events underlying these statements, in a way to provide realistic representation.

Besides other aspects, we inform the responsible senior executives regarding significant audit findings respective to scope and timing of the planned independent audit including significant internal check deficiencies we detected during audit.

We have already informed the responsible senior executives that we are in accordance with ethical provisions relating to independence. We also have communicated all relations other aspects to be deemed as effective on independence and respective precautions -if any-, to the responsible senior executives.

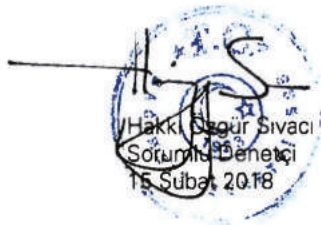
Among the subjects communicated to responsible senior executives, we determine the most significant ones for independent audit of current period financial statements, in other words the key audit subjects. On the events when legislation does not permit public disclosure or on very exceptional events when the negative results of public disclosure is reasonably expected to be more than the public welfare it would create; we may decide not to state the respective subjects in our independent audit report.

B) Report On Other Responsibilities Arising From Other Regulatory Requirements

1. Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 15 February 2018.
2. In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2017 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting..
3. In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

KPMG Independent Audit and Independent Accountant and Financial Advisor Incorporated Company

A member of KPMG International Cooperative



Hakkı Özgür SIVACI

Cap Auditor

İstanbul, 15th February 2018

İzocam Ticaret ve Sanayi A.Ş.
Convenience Translation to English of
Financial Statements
As at and for the Year Ended
31 December 2017
With Independent Auditors Report
(Originally Issued in Turkish)

15 February 2018

This report includes 4 pages of Independent Auditors' Report
and 48 pages of financial statements together with their
explanatory notes.

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İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Financial Position As at 31 December 2017

(All amounts are expressed in TL.)

		Audited	Audited
	Note	Current period December 31, 2017	Prior Period December 31, 2016
ASSETS			
Current Assets			
Cash And Cash Equivalents	4	22.054.849	29.372.628
Trade Receivables		124.678.797	108.828.843
From Related Parties	6	2.151.391	131.702
From Third Parties	7	122.527.406	108.697.141
Other Receivables		21.013	1.365.363
From Third Parties	8	21.013	1.365.363
Inventories	9	50.166.090	35.540.461
Prepaid Expenses	10	2.072.752	1.088.398
Other Current Assets	17	6.013.082	2.646.047
Total Current Assets		205.006.583	178.841.740
Non-Current Assets			
Other Receivables		6.229	13.302
From Third Parties	8	6.229	13.302
Property, Plant And Equipment	12	123.702.357	104.854.530
Intangible Assets		474.142	597.109
Other	13	474.142	597.109
Prepaid Expenses	10	1.779.907	10.197.330
Other Non-Current Assets	17	3.287	17.523
Deferred Tax Assets	27	731.591	--
Total Non-Current Assets		126.697.513	115.679.794
Total Assets		331.704.096	294.521.534
Liabilities			
Short-Term Liabilities			
Short-Term Borrowings	5	49.866.593	46.049.226
Trade Payables		68.177.892	49.400.919
To Related Parties	6	898.383	993.308
To Third Parties	7	67.279.509	48.407.611
Payables Related To Employment Benefits	16	5.550.382	6.440.087
Other Payables		36.079	26.988
To Third Parties	8	36.079	26.988
Deferred Revenue	11	12.144.595	17.002.406
Current Tax Liability	27	1.544.048	1.282.127
Short Term Provisions		1.402.054	141.084
Other	14	1.402.054	141.084
Other Short Term Liabilities	17	1.097.072	488.330
TOTAL CURRENT LIABILITIES		139.818.715	120.831.167

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Financial Position As at 31 December 2017

(All amounts are expressed in TL.)

		Audited	Audited
	Note	Current period December 31, 2017	Prior Period December 31, 2016
Long-Term Liabilities			
Long term provisions		13.297.496	12.110.624
For Employee Benefits	14	13.297.496	12.110.624
Deferred Tax Liabilities	27	--	229.418
TOTAL LONG-TERM LIABILITIES		13.297.496	12.340.042
TOTAL LIABILITIES		153.116.211	133.171.209
EQUITY			
Paid-in Capital	18	24.534.143	24.534.143
Adjustment to Share Capital	18	25.856.460	25.856.460
Share Premiums	18	1.092	1.092
Items that will Never be Reclassified to Profit or Loss		(4.816.365)	(4.071.201)
Actuarial Losses From Defined Pension Plans	18	(4.816.365)	(4.071.201)
Restricted Profit Reserves	18	42.711.837	42.711.837
Retained Earnings		72.317.994	51.375.439
Net Profit For The Period		17.982.724	20.942.555
TOTAL EQUITY		178.587.885	161.350.325
TOTAL EQUITY AND LIABILITIES		331.704.096	294.521.534

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement Of Profit Or Loss And Other Comprehensive Income For The Year Ended December 31, 2017

(All amounts are expressed in TL.)

		Audited	Audited
		Current period	Prior Period
		January 1 -	January 1 -
	Note	December 31, 2017	December 31, 2016
PROFIT OR LOSS			
Revenues	19	457.297.727	385.809.397
Cost of Sales (-)	19	(366.111.800)	(297.478.699)
GROSS PROFIT		91.185.927	88.330.698
Selling and Marketing Expenses (-)	20	(47.175.855)	(42.562.271)
Administrative Expenses (-)	21	(15.967.206)	(14.429.767)
Other Operating Income		(301.181)	--
Other Operating Expense (-)	23	9.203.331	8.433.892
OPERATING PROFIT	23	(4.101.364)	(2.953.858)
Income From Investment Activities	24	--	85.960
Expense From Investment Activities	24	(39.635)	--
OPERATING PROFIT BEFORE FINANCE EXPENSE		32.804.017	36.904.654
Finance Income	25	208.613	348.597
Finance Expenses (-)	25	(10.553.814)	(10.929.348)
Finance Costs, Net		(10.345.201)	(10.580.751)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		22.458.816	26.323.903
Tax Benefit Expense of Continuing Operations		(4.476.092)	(5.381.348)
Current Tax Expense(-)	27	(5.250.810)	(5.124.537)
Deferred Tax Benefit (Expense)	27	774.718	(256.811)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		17.982.724	20.942.555
PROFIT FOR THE PERIOD		17.982.724	20.942.555
Earnings Per Share			
Earnings Per Share From Continuing Operations	28	0,007	0,009
Diluted Earnings Per Share			
Diluted Earnings Per Share From Continuing Operations	28	0,007	0,009
OTHER COMPREHENSIVE INCOME			
Items Not to Be Classified to Profit or Loss			
Remeasurement of Defined Benefit Plans	14	(931.455)	(2.181.990)
Deferred Tax Effect of Remeasurement of Defined Benefit	27	186.291	436.398
OTHER COMPREHENSIVE INCOME		(745.164)	(1.745.592)
TOTAL COMPREHENSIVE INCOME		17.237.560	19.196.963

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement Of Changes In Equity For The Year Ended December 31, 2017

(All amounts are expressed in TL)

	Other Comprehensive Income not to be Reclassified to Profit or Loss						Accumulated Profits		
	Paid-in Capital	Adjustment to Share Capital	Share premiums	Remeasurement Losses	Restricted Profit Reserves	Retained Earnings	Net profit for period	Paid-in Capital	
Balance As At 1 January 2016	24.534.143	25.856.460	1.092	(2.325.609)	41.544.510	37.820.235	27.622.531	155.053.362	
Transfers	-	-	-	-	1.167.327	26.455.204	(27.622.531)	-	-
Dividends	-	-	-	-	-	(12.900.000)	-	-	(12.900.000)
TOTAL COMPREHENSIVE INCOME	-	-	-	(1.745.592)	-	-	20.942.555	19.196.963	
Other Comprehensive Income	-	-	-	(1.745.592)	-	-	-	(1.745.592)	
Net Profit for the period	-	-	-	-	-	-	20.942.555	20.942.555	
Balance As At 31 December 2016	24.534.143	25.856.460	1.092	(4.071.201)	42.711.837	51.375.439	20.942.555	161.350.325	
Balance As At 1 January 2017	24.534.143	25.856.460	1.092	(4.071.201)	42.711.837	51.375.439	20.942.555	161.350.325	
Transfers	-	-	-	-	-	20.942.555	(20.942.555)	-	-
TOTAL COMPREHENSIVE INCOME	-	-	-	(745.164)	-	-	17.982.724	17.237.560	
Other Comprehensive Income	-	-	-	(745.164)	-	-	-	(745.164)	
Net Profit for the period	-	-	-	-	-	-	17.982.724	17.982.724	
Balance As At 31 December 2017	24.534.143	25.856.460	1.092	(4.816.365)	42.711.837	72.317.994	17.982.724	178.587.885	

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement Of Cash Flows For The Year Ended December 31, 2016

(All amounts are expressed in TL.)

		Audited	Audited
		Current Period	Prior Period
		January 1 –	January 1 –
	Note	December 31, 2017	December 31, 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		12.477.265	47.687.206
Net profit for the period		17.982.724	20.942.555
Adjustments for reconciliation of profit for the period		23.173.151	21.597.061
Adjustment for depreciation and amortization	12, 13	13.000.432	10.656.162
Provision for employee severance indemnity	14	1.708.107	1.479.586
Provision for vacation pay, net	14	971.705	888.900
Adjustment for provision of doubtful receivables, net	7	56.632	233.627
Adjustment for provisions	14	1.260.970	(25.883)
Adjustment for interest expense		8.993.035	9.492.927
Adjustment for interest income		(7.333.457)	(6.423.646)
Adjustment for tax expense	27	5.250.810	5.124.537
Adjustment for deferred tax income	27	(774.718)	256.811
Sales on property and equipment and intangible assets		39.635	(85.960)
Changes in working capital		(21.265.326)	12.111.977
Change in inventories		(14.188.373)	(952.865)
Change in trade and other receivables		(6.069.808)	634.057
Change in trade and other payables		16.890.695	11.890.574
Change in deferred revenue		(4.857.811)	1.208.587
Change in prepaid expenses		(984.354)	2.275.401
Adjustments for increase in payables related to employee benefits		(889.705)	1.153.799
Other current and non-current assets and liabilities		(2.744.056)	(2.632.578)
Change in blockage accounts		(8.421.914)	(1.464.998)
Taxes paid		(4.988.889)	(5.378.998)
Employee benefit indemnity paid	14	(2.424.395)	(1.585.389)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(23.784.761)	(31.266.637)
Purchase of property and equipment	12, 13	(32.374.590)	(28.734.088)
Proceeds from sale of property and equipment		172.406	111.052
Adjustments related to cash advance given		8.417.423	(2.643.601)
C. CASH FLOWS FROM FINANCING ACTIVITIES		(4.962.251)	3.441.781
Proceeds from loans		310.386.729	217.021.045
Repayment of borrowings		(302.863.754)	(195.617.732)
Interest paid		(12.698.643)	(5.405.327)
Dividends paid		-	(12.900.000)
Interest received		213.417	343.795
Foreign Currency Effect of translation differences Net (decrease) increase in cash and cash equivalents (A + B + C)		(16.269.747)	19.862.350
D. EFFECT ON FOREIGN CURRENCY DIFFERENCES ON CASH AND CASH EQUIVALENTS		534.858	(504.893)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(15.734.889)	19.357.457
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		20.186.459	829.002
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D+E)	4	4.451.570	20.186.459

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE COMPANY

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

As at 31 December 2017, 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 ("BİST") from Koç Group on 29 November 2006 and on 10 July 2007 representing 61,16 percent of paid-in capital of İzocam together with the collection of 831.117.304 shares traded on BİST which represents 33,91 percent of paid-in capital of İzocam. İzocam Holding is a joint venture of Compagnie de Saint Gobain Group and Alghanim Group by with an equal ownership of 50 percent by both parties.

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 2017, 38,84 percent of the shares are publicly traded at BİST (31 December 2016: 38,84 percent).

As at 31 December 2017, total number of employees of the Company is an average basis 448 (31 December 2016: 445) including 205 white collar employees (31 December 2016: 212) and 243 blue collar employees (31 December 2016: 233).

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

Altayçeşme Mahallesi Çamlı Sokak
No: 21 Kat: 4- 5
34843 Maltepe / İstanbul

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Preparation of Financial Statements

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

The accompanying financial statements of the Company are presented in accordance with the "Announcement regarding with Formats of Financial Statements and Notes" which issued on 7 June 2013 by CMB.

The Company's statement of financial position as at 31 December 2017 and statement of profit or loss and other comprehensive income for the year ended was authorized for issue by the Board of Directors of the Company on 15 February 2018.

b) Basis of Measurements

Financial statements have been prepared on cost basis principal.

c) Functional and Reporting Currency

These financial statements are presented in Turkish Liras ("TL"), which is the Company's functional currency. All financial information presented in TL unless otherwise stated.

Adjustment of Financial Statements in Hyperinflationary Periods

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

d) Foreign currency transactions

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

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

The closing Euro and USD exchange rates for the year ended are as follows:

	31 December 2017	31 December 2016
Euro/ TL	4,5155	3,7099
USD/ TL	3,7719	3,5192

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Statement of Compliance with TAS

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

2.3 Changes and Errors in Accounting Estimates

If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively. Changes in accounting policies or accounting errors applied retroactively and the financial statements of the previous periods were adjusted. The significant estimates and assumptions used in preparation of these financial statements as at 31 December 2017 are same with those used in the preparation of the Company's financial statements as at and for the year ended 31 December 2016.

NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies

a) Revenue

i) Sale of goods

Revenue is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery 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. Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

When the sales arrangement effectively constitutes a financing cost, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on accrual basis (Note 23).

b) Government incentives

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

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

c) Finance income and finance expenses

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

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

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (Continued)

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

d) Employee benefits

i) Short term employee benefits

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

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

d) Employee benefits (continued)

ii) Other long term employee benefits

In accordance with the existing labor law in Turkey, the Company is required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause, or due to retirement, military service or death. It is calculated with respect to 30 day gross wages and recognized in the financial statements as the present value of the estimated total reserve of the future probable obligation of the Company. It is calculated as if all employees are subject to that payment and recognized in the financial statements on accrual basis. The computation of the liabilities is based upon the retirement pay ceiling announced by the government. As at 31 December 2017, the ceiling amount is TL 4.732 (31 December 2016: TL 4.297). As explained in Note 14, the Company management used some assumptions in the calculation employee benefits.

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

e) Income taxes

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

i) Current tax

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

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

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

ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (Continued)

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

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

e) Income taxes (Continued)

ii) Deferred tax (Continued)

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

f) Inventories

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

g) Property and equipment

i) Recognition and measurement

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

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

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

ii) Subsequent costs

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

iii) Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Lands are not subjected to depreciation.

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

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

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (Continued)

h) Intangible assets

i) Recognition and measurement

Development costs

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

Development costs are recognized as intangible assets when the following criteria are met: the expenditure attributable to the product during its development can be reliably measured, it can be demonstrated how the product will generate probable future economic benefits, adequate technical, financial and other resources to complete the development or sell the product are available, it is technically feasible to complete the product so that it will be available for sale and management intends to complete the product and sell it

Other intangible assets

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

ii) Subsequent costs

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

iii) Amortization

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

The estimated useful lives are as follows:

- Rights 3–6 years

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

i) Financial instruments

The company reclassifies its non-derivative financial assets to the specified categories: Loans and receivables.

The company reclassifies its financial liabilities to other financial liabilities category.

i) Non-derivative financial assets and liabilities- recognition and derecognition

The Company recognizes loans, receivables and issued borrowing notes when they occurred. All other financial assets and liabilities are recognized on the transaction date if only the Company stands as a counterparty on the contractual terms.

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 transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (Continued)

i) Financial instruments (Continued)

i) Non-derivative financial assets and liabilities- recognition and derecognition (Continued)

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

Financial assets and liabilities are offset and the net amount is 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.

ii) Non-derivative financial asset- measurement

Loans and receivables

Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand and time deposits.

iii) Non – derivative financial instruments – measurement

Non-derivative financial instruments are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects. Income tax related to transaction costs arising from capital operations are recognized according to TAS 12.

j) Impairment of assets

i) Non-derivative financial assets

Financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

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,
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indication that there is measurable decrease in the expected cash flows from a group of financial assets.

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (Continued)

Financial assets measured at amortized cost

The Company considers evidence of impairment for these at both individual asset and a collective level. All individually significant assets are individually assessed for impairment. Assets, individually which do not have an important impairment yet, are subjected to impairment test, collectively. Individually not significant assets are classified as assets with similar risk characteristics and are subjected to the collectively impairment test.

The Company make its evaluation about the impairment considering the risk of delay, timing of receiving back, and the past tendency of the loss. While the management makes its evaluation, it takes consideration into the current economic status and the loan conditions and the past tendency of impairment and then makes the necessary changes and updates.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are write off. If an amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, than the previously recognized impairment loss is reversed through profit or loss.

ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets other than investment properties, inventories and deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit ("CGU").

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

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

j) Impairment of assets (Continued)

ii) Non-financial assets (Continued)

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

k) Provisions

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (Continued)

l) Leases

i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease.

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

ii) Leased assets

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

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

iii) Lease payments

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

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

m) Standards issued but not yet effective and not early adopted as at 31 December 2017

Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date but earlier application is permitted; however the Company has not early adopted are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 15 Revenue from Contracts with Customers

The new standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (Continued)

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 “Financial Instruments: Recognition and Measurement”. It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from IAS 39 to IFRS 9. The last version of IFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of IFRS 9. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

IFRIC 22 – Foreign Currency Transactions and Advance

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 22..

m) Standards issued but not yet effective and not early adopted as at 31 December 2017 (Continued)

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IFRS 2.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 – Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company does not expect that application of these amendments to IAS 40 will have significant impact on its financial statements.

İzocam Ticaret ve Sanayi Anonim Şirketi

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(All amounts are expressed in TL.)

NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (Continued)

Annual Improvements to IFRSs

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

Annual Improvement: 2014-2016 Cycle

IFRS 1 “First Time Adoption of International Financial Reporting Standards”

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IAS 28 “Investments in Associates and Joint Ventures”

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

Amendments to IFRS 9 - Prepayment features with negative compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include ‘reasonable additional compensation’ for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IFRS 9.

Amendments to IAS 28-Long-term interests in Associates and Joint Ventures

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Company does not expect that application of these amendments to IAS 28 will have significant impact on its financial statements.

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

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

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NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (Continued)

m) Standards issued but not yet effective and not early adopted as at 31 December 2017 (Continued)

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

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRIC 23 –Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

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

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

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

IAS 12 Income Taxes

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

IAS 23 Borrowing Costs

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

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NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 Significant accounting policies (Continued)

m) Standards issued but not yet effective and not early adopted at 31 December 2017 (Continued)

Annual Improvements to IFRSs 2015-2017 Cycle (Continued)

Improvements to IFRSs (Continued)

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Company does not expect that application of IFRS 17 will have significant impact on its financial statements.

2.5 Use of estimates and judgments

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

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

Assumptions and estimation uncertainties

As at 31 December 2017 Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Dipnot 14 – Remeasurement of liabilities related to employee benefit plans: Basis actuarial assumptions;
- Dipnot 12-13– Useful life of property, plant and equipment;
- Dipnot 14 – Recognition and measurement of provisions and contingencies: Basic assumptions about extent and possibility of the fund outflows;
- Dipnot 29 – Financial instruments.

Fair value measurement

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

When measuring the fair value of an asset or a liability, the Company uses market and observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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NOT 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Use of estimates and judgments (Continued)

Fair value measurement (Continued)

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognize the transfers through the hierarchical fair value levels at the end of the reporting period when the transfer occurred.

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

- Note 29 – Financial instruments

2.6 Comparative information

Financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency, with current year financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current year, the Company has made reclassification in the prior year financial statements in order to maintain consistency, with current year financial statements. Reclassifications in the statement of profit and loss and other comprehensive income for the year Ended 31 December 2016 is as below:

Sales commissions amounting to TL 726.752 has been reclassified from "Marketing, selling and distribution expenses" to "Finance expenses".

NOT 3 – SEGMENT REPORTING

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

NOT 4 – CASH AND CASH EQUIVALENTS

As at 31 December 2017 and 2016, cash and cash equivalents comprised the following:

	December 31, 2017	December 31, 2016
Banks	2.640.917	19.697.146
- Demand deposits	2.640.917	145.827
- Time deposits	--	19.551.319
Cash at blockage (*)	17.603.279	9.181.365
Cheques at collection (**)	1.810.653	494.117
	22.054.849	29.372.628

(*) As at 31 December 2017, cash and cash equivalents consist of cash at blockage amounting to TL 17.603.279 (2016: TL 9.181.365). TL 2.083.069 TL portion of cash at blockage consist of Direct Borrowing System ("DBS") (2016: TL 1.390.337). On 17 March 2010, the Company has started to use 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 2017 TL 15.520.210 of cash blockage amount mainly comprised of the credit card receivables with a maturity less than 3 months (2016: TL 7.791.028).

(**) Cheques in collection are composed of the cheques which have not been transferred to the Company's bank deposits accounts as at 31 December 2017 with a maturity date before 31 December 2017.

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Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 4 – CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 December 2017 and 2016, demand deposits comprised the following currencies;

	Time Deposit		Demand deposit	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
TL	-	17.539.804	2.169.909	145.827
US Dollars ("USD")	-	1.640.043	399.998	-
European Union Currency ("EURO")	-	371.472	71.010	-
	-	19.551.319	2.640.917	145.827

As at 31 December 2017, the Company has no time deposit. As at 31 December 2016, the effective interest rates of TRY, USD and EURO denominated time deposits are 10 percent, 0,25 percent and 0,15 percent, respectively.

The currency risk, interest rate risks and sensitivity analysis for the Company's financial assets and liabilities are disclosed in Note 30.

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

Cash and cash equivalents included in the statement of cash flows for the th period ended 31 December 2017 and 2016 are comprised the followings:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Cash and cash equivalents	22.054.849	29.372.628
Less: Blockage	(17.603.279)	(9.181.365)
Less: Interest Accruals	-	(4.804)
	4.451.570	20.186.459

NOTE 5 – FINANCIAL LIABILITIES

As at 31 December 2017 and 2016 bank borrowings comprised the followings:

	December 31, 2017	December 31, 2016
Unsecured Bank Borrowings (*)	49.866.593	41.122.201
TL	49.866.593	41.122.201
Factoring loans (**)	-	4.927.025
USD	-	4.927.025
	49.866.593	46.049.226

(*) As at 31 December 2017, all of the outstanding bank borrowings are denominated in TL and the effective interest rate of bank borrowings is 13,20% (2016: 13,45%).

(**) 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. As at December , there is no factoring loan. As at 31 December 2016 the effective interest rate of the USD factoring loan was 2,17 percent.

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NOTE 5 – FINANCIAL LIABILITIES (CONTINUED)

As at 31 December 2017, cash flows from financial operations comprised the followings:

	31 December 2016	Cash flows	Non-cash changes acquisition	31 December 2017
Financial Liabilities	46.049.226	7.522.975	(3.705.608)	49.866.593
	46.049.226	7.522.975	(3.705.608)	49.866.593

As at 31 December 2016, cash flows from financial operations comprised the followings:

	31 December 2015	Cash flows	Non-cash changes acquisition	31 December 2016
Financial Liabilities	20.558.313	21.403.313	4.087.600	46.049.226
	20.558.313	21.403.313	4.087.600	46.049.226

NOT 6 - RELATED PARTIES

Due from related parties

As at 31 December 2017 and 2016, due from related parties are as follows:

	31 December 2017	31 December 2016
Saint-Gobain Weber Yapı Kimyasalları Sanayi Ticaret Anonim Şirketi ("Saint-Gobain Weber") (*)	1.933.353	78.873
Saint-Gobain Adfors CZ S.R.O. (*)	78.133	31.728
Saint-Gobain Isover (*)	57.165	5.395
Saint-Gobain Rigips Alçı Sanayi ve Ticaret Anonim Şirketi ("Saint-Gobain Rigips ") (*)	42.054	-
Saint-Gobain Isover CRIR (*)	40.686	-
Saint-Gobain Isover Iberica S.L. (*)	-	15.706
	2.151.391	131.702

As at 31 December 2017 and 2016, due to related parties are as follows:

	31 December 2017	31 December 2016
Grunzweig Hartman AG (*)	232.727	216.186
Saint-Gobain Rigips (*)	212.211	206.546
Saint-Gobain Isover SA (*)	219.817	195.043
Saint Gobain Adfors CZ Glass Mat S.R.O. (*)	146.372	375.533
Saint-Gobain Seva AG (*)	87.176	--
Saint Gobain İnovatif Malz. ve Aşındırıcı Sanayi ve Ticaret Anonim Şirketi ("Saint Gobain İnovatif") (*)	80	--
	898.383	993.308

(*) Companies controlled by the Shareholder's of İzocam Holding

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NOT 6 – RELATED PARTIES (CONTINUED)

Purchase to related parties

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

	1 January-31 December 2017	1 January-31 December 2016
Saint Gobain Adfors CZ Glass Mat S.R.O. (*)	2.557.941	-
Saint Gobain İsover (Royalite) (*)	1.691.631	-
Grunzweig Hartman AG (*)	1.204.791	-
Saint-Gobain Rigips (*)	731.649	144.232
Saint Gobain Seva AG	359.890	-
Saint-Gobain Weber (*)	189.536	199.701
Saint Gobain Construction Products (*)	146.657	-
Saint Gobain Glass (Romania) (*)	18.613	27.361
Saint Gobain İnovatif Malzemeleri (*)	1.297	1.376
Kuwait Insulating Material Mfg. Co. (*)	-	19.985
Saint-Gobain Ppc Italia S.P.A. (*)	-	9.544
	6.902.005	402.199

Sales from related parties

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

	1 January-31 December 2017	1 January-31 December 2016
Saint-Gobain Weber (*)	3.150.963	2.143
Saint-Gobain Rigips (*)	403.180	607.436
Saint-Gobain Adfors CZ Glass Mat S.R.O. (*)	233.981	1.831.102
Kuwait Insulating Material Mfg. Co. (*)	31.070	-
Saint-Gobain Ppc Italia S.P.A. (*)	13.673	-
Saint Gobain İnovatif (*)	1.216	-
Saint-Gobain İsover SA (*)	-	1.355.328
Grunzweig Hartman AG (*)	-	851.838
Saint-Gobain Recherche (*)	-	15.484
	3.834.082	4.663.331

(*) Companies controlled by the Shareholder's of İzocam Holding

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NOT 6 – RELATED PARTIES (CONTINUED)

Remunerations to the top management

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

	31 December 2017	31 December 2016
Short Term Benefits		
(Salaries, premiums, housing, company cars, social security, health insurance, vacation pay etc.)	3.745.374	4.608.926
Long Term Benefits		
(Termination indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	480.875	809.561
Total	4.226.249	5.418.487

NOT 7 – ACCOUNTS RECEIVABLE AND PAYABLE

Trade receivables

As at 31 December 2017 and 31 December 2016 short-term trade receivables comprised the followings:

	31 December 2017	31 December 2016
Accounts receivable	109.965.973	94.919.174
Cheques receivable	14.712.824	13.909.669
Doubtful receivables	1.816.440	1.759.808
Less: Allowance for doubtful receivables	(1.816.440)	(1.759.808)
	124.678.797	108.828.843

As at 31 December 2017, TL 2.151.391 of accounts receivable comprised due from related parties (2016: TL 131.702) which disclosed in Note 6 in detail.

Average collection period of trade receivables is 82 days (2016: 100 days) which may change according to the type of the product and the terms of the agreement with the customer.

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. As at 31 December 2017, there is no trade receivables is subject to factoring (2016: TL 4.927.025).

As at 31 December 2017 and 31 December 2016 maturity profiles of cheques and notes receivables are as follows:

	31 December 2017	31 December 2016
0 -30 days	3.109.777	4.421.737
31 -60 days	3.856.721	4.921.956
61 -90 days	2.897.951	1.872.282
91 days and over	4.848.375	2.693.694
	14.712.824	13.909.669

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NOT 7 - ACCOUNTS RECEIVABLE AND PAYABLE (CONTINUED)

Trade receivables (Continued)

For the period ended 31 December 2017 and 31 December 2016 the movement of allowance for doubtful receivables comprised the followings:

	31 December 2017	31 December 2016
Balance as at 1 January	1.759.808	1.526.181
Provision for the period	320.440	305.671
Write offs	(263.808)	(72.044)
Balance as at 31 December	1.816.440	1.759.808

Trade Payables

As at 31 December 2017, short-term account payable amounting to TL 68.177.892 (2016: TL 49.400.919) arising from accounts payable to various suppliers and average payment term is 32 days (31 December 2016: 54 days).

As at 31 December 2017, TL 898.383 of accounts payable comprised due to related parties (2016: TL 993.308) which disclosed in Note 6 in detail.

NOT 8 - OTHER RECEIVABLES AND PAYABLES

Other Short Term Receivables

As at 31 December 2017, other short term receivables amounting to TL 21.013 consists of other receivables. (2016: TL 1.365.363).

Other Long Term Receivables

As at 31 December 2017, other long term receivables amounting to TL 6.229 consists of deposits given (2016: TL 13.302).

Other Short Term Payables

As at 31 December 2017, other short term payables amounting to TL 36.079 consists of other payables (2016: TL 26.988).

NOT 9 - INVENTORIES

As at 31 December 2017 and 2016 inventories comprised the following:

	31 December 2017	31 December 2016
Raw materials and supplies	35.835.849	24.289.805
Finished goods	14.025.550	10.828.042
Trading goods	304.691	422.614
	50.166.090	35.540.461

Inventories are accounted at cost. As at 31 December 2017 and 2016, there is no allowance for impairment on inventories since the cost of inventories are lower than their net realizable value.

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NOT 10 - PREPAID EXPENSES

As at 31 December 2017 and 2016 short term prepaid expenses comprised the following:

	31 December 2017	31 December 2016
Advances given for inventory	1.464.370	609.819
Prepaid expenses(*)	608.382	478.579
	2.072.752	1.088.398

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

As at 31 December 2017 and 2016 short term prepaid expenses comprised the following:

	31 December 2017	31 December 2016
Advances given for fixed assets	1.779.907	10.197.330
	1.779.907	10.197.330

NOT 11 - DEFERRED INCOME

As at 31 December 2017 and 2016 deferred income comprised the following:

	31 December 2017	31 December 2016
Advances received from customers	12.144.595	17.002.406
	12.144.595	17.002.406

NOT 12 - PROPERTY PLANT AND EQUIPMENT

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

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Cost					
Land	5.997.308	-	(5.998)	-	5.991.310
Land improvements	5.115.932	36.500	(4.014)	452.926	5.601.344
Buildings	57.664.531	-	(1.366)	5.611.207	63.274.372
Machinery and equipment	225.985.042	2.838.759	(8.033.718)	24.140.438	244.930.521
Furniture and fixtures	8.921.011	717.798	(95.320)	56.364	9.599.853
Leasehold improvements	1.140.980	5.133	(1.170)	1.762.380	2.907.323
Construction in progress (*)	9.042.449	28.612.751	-	(32.023.315)	5.631.885
Total cost	313.867.253	32.210.941	(8.141.586)	-	337.936.608

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NOT 12 – PROPERTY PLANT AND EQUIPMENT (CONTINUED)

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

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Accumulated depreciation					
Land improvements	(3.387.760)	(163.129)	2.230	-	(3.548.659)
Buildings	(22.574.509)	(1.459.478)	1.207	-	(24.032.780)
Machinery and equipment	(175.999.847)	(10.512.965)	7.962.814	-	(178.549.998)
Furniture and fixtures	(6.655.241)	(890.995)	62.984	-	(7.483.252)
Leasehold improvements	(395.366)	(225.366)	1.170	-	(619.562)
Total accumulated depreciation	(209.012.723)	(13.251.933)	8.030.405	-	(222.264.656)
Net book value	104.854.530				123.702.357

(*) For the year ended 31 December 2017, construction in progress mainly consist of investments in Tarsus for revision of furnace and third pipeline and in Gebkim facilities. The furnace revision in Tarsus and investments in Gebkim facilities were completed and capitalized in 2017.

The investments made in the year ending on December 31, 2017 mainly consist of investments in Tarsus furnace revision, Tarsus Pipeline investment and Gebkim facilities. Investments in Tarsus furnace revision and Gebkim facilities were completed and activated in 2017.

For the year ended 31 December 2017, depreciation expenses amounting to TL 12.332.300 (31 December 2016: TL 10.161.501) has been recognized under cost of sales, TL 482.376 (31 December 2016: TL 395.270) has been recognized under general administrative expensenses and TL 437.257 (31 December 2016: 285.950 TL) has been recognized under inventories.

As at 31 December 2017, property, plant and equipment are insured against the earthquake, fire, flood and similar disasters amounting to TL 1.769.177.000 (2016: TL 1.232.767.000)

As at 31 December 2017 and 2016, there are no assets pledged as collateral.

For the year ended 31 December 2016, the movement of property plant and equipment are as follows:

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Cost					
Land	6.004.308	-	(7.000)	-	5.997.308
Land improvements	4.636.272	140.952	(8.336)	347.044	5.115.932
Buildings	56.722.333	199.658	-	742.540	57.664.531
Machinery and equipment	208.653.949	500.148	(2.083.713)	18.914.658	225.985.042
Furniture and fixtures	8.974.362	312.813	(668.858)	302.694	8.921.011
Leasehold improvements	1.140.980	-	-	-	1.140.980
Construction in progress	2.356.511	26.992.874	-	(20.306.936)	9.042.449
Total cost	288.488.715	28.146.445	(2.767.907)	-	313.867.253

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NOT 12 – PROPERTY PLANT AND EQUIPMENT (CONTINUED)

For the year ended 31 December 2016, the movement of property plant and equipment are as follows:

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Accumulated depreciation					
Land improvements	(3.255.821)	(138.997)	7.058	-	(3.387.760)
Buildings	(21.138.353)	(1.436.156)	-	-	(22.574.509)
Machinery and equipment	(169.741.756)	(8.332.043)	2.073.952	-	(175.999.847)
Furniture and fixtures	(6.492.698)	(827.449)	664.906	-	(6.655.241)
Leasehold improvements	(287.290)	(108.076)	-	-	(395.366)
Total accumulated depreciation	(200.915.918)	(10.842.721)	2.745.916	-	(209.012.723)
Net book value	87.572.797				104.854.530

NOT 13 – INTANGIBLE ASSETS

For the period ended 31 December 2017, the movement of intangible assets are as follows:

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Software Rights	1.203.841	163.649	-	1.367.490
Development Cost	150.295	-	(100.860)	49.435
Total Cost	1.354.136	163.649	(100.860)	1.416.925
Less: Accumulated depreciation				
Software Rights	(757.027)	(185.756)	-	(942.783)
Total Accumulated Depreciation	(757.027)	(185.756)	-	(942.783)
Net book value	597.109			474.142

For the period ended 31 December 2017, amortization expenses amounting to TL 185.756 (31 December 2016: TL 99.391) has been recognized under general administrative expenses.

For the year ended 31 December 2017, the Company does not have any intangible assets that are created within the Company.

For the period ended 31 December 2016, the movement of intangible assets are as follows:

	1 January 2016	Additions	Disposals	31 December 2016
Cost				
Software Rights	859.834	526.844	(182.837)	1.203.841
Development Cost	89.496	60.799	-	150.295
Total Cost	949.330	587.643	(182.837)	1.354.136
Less: Accumulated depreciation				
Software Rights	(837.372)	(99.391)	179.736	(757.027)
Total Accumulated Depreciation	(837.372)	(99.391)	179.736	(757.027)
Net book value	111.958			597.109

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NOT 14 – PROVISIONS

Other Short Term Provisions

As at 31 December 2017 and 2016, other short-term provisions comprised the following:

	31 December 2017	31 December 2016
Provisions for litigation	1.302.271	78.500
Miscellaneous expense provisions	99.783	62.584
	1.402.054	141.084

For the year ended 31 December 2017, the movement of other short-term provisions are as follows:

	1 January 2017	Additions	Payments / Reversals	31 December 2017
Provisions for litigation	78.500	1.279.271	(55.500)	1.302.271
Miscellaneous expense provisions (*)	62.584	418,689	(381.490)	99.783
	141.084	1.697.960	(436.990)	1.402.054

For the year ended 31 December 2016, the movement of other short-term provisions are as follows:

	1 January 2016	Additions	Payments / Reversals	31 December 2016
Provisions for litigation	99.372	-	(20.872)	78.500
Miscellaneous expense provisions (*)	67.595	-	(5.011)	62.584
	166.967	-	(25.883)	141.084

(*) Miscellaneous provisions are comprised of DBS provisions.

Long term provision for employee benefits

As at 31 December 2017 and 2016, long term provision for employee benefits comprised the following:

	31 December 2017	31 December 2016
Provision for severance payments	10.211.807	8.945.744
Provision for unused vacation pay liability	3.085.689	3.164.880
Total	13.297.496	12.110.624

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NOT 14 – PROVISIONS (CONTINUED)

Long term provision for employee benefits (continued)

According to the legislation in Turkey, employees who completed one working year in the Company, are dismissed without any meaningful reason, quit due to the military service, pass away, completed 25 working years for male, 20 working years for female and are at retirement date (58 years old for female, 60 years old for male) should be paid for termination benefit. Due to the amendment of the legislation on 8 September, there are certain transitional liabilities regarding duration of service depending on retirement.

As at 31 December 2017, these payments calculate on 30 days salary according to at the most TL 4.732 (2016: TL 4.297) at the rate of retirement or resignation day per the year worked. Provision of termination benefit is calculated on the current period and reflected to financial tables. The provision is calculated on estimating the present value of the possible liability in the future caused by retirements of employees of the Company. This calculation is made according to the ceiling announced by the government.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TMS require actuarial valuation methods to be developed to entities' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting period dates have been calculated assuming an annual inflation rate of 7 percent and a discount rate of 11,50 percent, resulting in a real discount rate of approximately 4,21 percent (31 December 2016: an annual inflation rate of 6 percent, a discount rate of 10 percent, a real discount rate of approximately 3,77 percent).

The movement of retirement pay provision for the years ended 31 December 2017 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance	8.945.744	6.353.127
Interest cost	821.467	698.844
Cost of services	886.640	780.742
Payment made during the period	(1.373.499)	(1.068.959)
Actuarial (gain)/ loss	931.455	2.181.990
Balance as at 31 December	10.211.807	8.945.744

The movement of unused vacation pay liability for the years ended 31 December 2017 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance	3.164.880	2.792.410
Additional provision during the period	971.705	888.900
Used in year	(1.050.896)	(516.430)
Balance as at 31 December	3.085.689	3.164.880

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NOT 15 – COMMITMENTS AND CONTINGENCIES

According to the decision of CMB in accordance with the law no. 28/780 on September 9, 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party's debts. The commitments given; for companies other than publicly owned associations and financial institutions;

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

After the decision is published at the Platform of Public Enlightenment, publicly owned companies will not give commitments to real people or corporations other than mentioned at the bullets (i) and (ii) above or to third parties other than mentioned at the bullet (iii). If any commitments have already been given it will be reduced to until 31 December 31 2017.

At 31 December commitments given are as follows:

	31 December 2017	31 December 2016
A. Commitments given in the name of own legal Entity	22.850.828	14.950.898
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	-	-
Total	22.850.828	14.950.898

As at 31 December 2017 and 2016 the Company has letter of guarantees obtained from banks and given to Custom Offices, foreign and domestic suppliers and to banks and notes given as collaterals.

As at 31 December 2017, the ratio of other GPM's given by the Company to the Company's own funds is 0 percent (31 December 2016: 0 percent).

As at 31 December 2017 and 2016, non-cancellable operating lease rentals payable are as follows:

	31 December 2017	31 December 2016
1. year	772.300	714.794
2. year	129.505	536.095
3. year	32.376	--
Total	934.181	1.250.889

As at 31 December 2017, the credit limits and balances of the customers included in the DBS system were determined by the related banks. The Company has acknowledged that the Bank has the right to cancel the loans of the customers who use the credit limits continuously for 30 days at the limit level and without regular repayment. The Company acknowledges that if the loans are not closed within the given period, the Bank has the right to observe the credit relationship with the customer and, if necessary, to follow up the customer.

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NOT 16 – EMPLOYEE BENEFITS

At 31 December 2017 and 2016, employee benefits comprised the followings:

	31 December 2017	31 December 2016
Personnel premium (*)	2.056.429	2.925.068
Social security premium payable	1.721.525	1.353.866
Withholding taxes and duties	1.724.947	2.031.153
Other	47.481	130.000
Total	5.550.382	6.440.087

(*) Provisions for employee bonuses are the amount that determined according to decision over performance criteria by İzocam's Board of Directors. Related amount regarding the year 2017 were paid in January 2018 (the year 2016 were paid in January 2017).

NOT 17 – OTHER ASSET AND LIABILITIES

Other current assets

As at 31 December 2017 and 2016 other current assets are comprised the following:

	31 December 2017	31 December 2016
Value Added Taxes ("VAT")	5.376.048	1.988.890
VAT receivable on exports	271.255	176.769
Taxes and duties receivable	211.248	169.735
Other	154.531	310.653
Total	6.013.082	2.646.047

Other non current assets

As at 31 December 2017 Company has deposits and guarantees given amounts of TL 3.287 (2016: TL 17.523).

Other short term liabilities

As at 31 December 2017 and 2016 other current liabilities comprised the following:

	31 December 2017	31 December 2016
VAT payables as responsible party	437.663	422.607
Other	659.409	65.723
Total	1.097.072	488.330

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NOT 18 – EQUITY

Paid-in Capital

As at 31 December 2017, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (31 December 2016: 2.453.414.335 shares) of kr 1 each, There are no privileges rights provided to different shareholder groups or individuals.

As at 31 December, the shareholder structure of the Company is as follows:

	31 December 2017		31 December 2016	
	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
Adjustment on Capital	25.856.460		25.856.460	
Total	50.390.603		50.390.603	

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.

Share Premiums

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.

As ar 31 December 2017, the Company's share premium is amounting to TL 1.092 (2016: TL 1.092).

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC).The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Publicly traded companies make the dividend payment accordance with procedure laid by CMB.

As at 31 December 2017, the details of the restricted reserves, which were separated from the profit at are as follows:

	31 December 2017	31 December 2016
Legal reserves	42.711.791	42.711.791
Special reserves (*)	46	46
Total	42.711.837	42.711.837

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

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NOT 18 – EQUITY (CONTINUED)

Actuarial losses from defined pension plans

The account comprised the actuarial gain and loss recognized as other comprehensive income as a result of the adoption of the TAS 19 (2011).

As at 31 December 2017, the actuarial losses from defined pension plans is amounting to TL 4.816.365 (2016: TL 4.071.201 TL).

Dividend Distribution

As at 31 December 2017, there is no dividend distribution.

In the Ordinary General Assembly held on 22 March 2016, it has been decided to distribute dividend amounting to TL 12.900.000 over the capital of TL 24.534.143, transfer a portion of TL 1.167.327 to the second contingency reserves and a portion of TL 14.676.246 to the extraordinary reserves. With respect to the decision, respectively TL 7.894.405 and TL 5.005.595 is distributed by the Company on 28 March 2016 and on 30 March 2016.

NOT 19 – REVENUE AND COST OF SALES

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

	1 January – 31 December 2017	1 January – 31 December 2016
Domestic sales	380.452.951	328.525.377
Export sales	80.901.902	62.529.776
Other	20.383.825	15.530.937
Gross sales	481.738.678	406.586.090
Less: Sales returns and discounts	(24.440.951)	(20.776.693)
Net sales	457.297.727	385.809.397
Less: Cost of sales	(366.111.800)	(297.478.699)
Gross profit	91.185.927	88.330.698

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

	1 January – 31 December 2017	1 January – 31 December 2016
Raw materials and consumables	331.021.248	265.902.441
Personnel expenses	25.837.837	23.109.858
Depreciation	12.332.300	10.161.501
Changes in inventory	(3.079.585)	(1.695.101)
Total	366.111.800	297.478.699

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NOT 20 – MARKETING, SELLING AND DISTRIBUTION EXPENSES

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

	1 January – 31 December 2017	1 January – 31 December 2016
Freight and insurance	21.948.055	17.873.323
Personnel	9.800.395	9.094.124
Storage and loading	4.342.754	4.709.598
Licenses	2.883.594	2.695.253
Dealer meeting	2.712.439	2.980.333
Advertisement	1.455.201	1.268.562
Transportation	775.774	668.821
Rent	666.433	850.695
Collateral	561.360	567.723
Travel	393.504	379.258
Exhibition and fair	367.055	198.942
Other	1.269.291	1.275.639
Total	47.175.855	42.562.271

NOT 21 – ADMINISTRATIVE EXPENSES

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

	1 January – 31 December 2017	1 January – 31 December 2016
Personnel	9.416.886	9.232.888
Rent	917.570	857.247
Depreciation and amortization	668.132	494.661
Service vehicle and road	668.083	507.282
IT expenses	649.344	486.144
Subscription fees	500.018	438.388
Duties, taxes and levies	385.529	319.070
Litigation	349.771	172.014
Travel	312.839	149.006
Consultancy	222.439	241.449
Representation	186.021	149.194
Repair, maintenance, repair and energy	144.064	134.667
Insurance	124.816	138.930
Communication	109.636	128.773
Other	1.312.058	980.054
Total	15.967.206	14.429.767

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NOT 22 – EXPENSES BY NATURE

For the years ended, 31 December, expenses by nature comprised the following:

Depreciation and amortization

	1 January – 31 December 2017	1 January – 31 December 2016
Cost of Sales (Note 19)	12.332.300	10.161.501
Administrative Expenses (Note 21)	668.132	494.661
Total	13.000.432	10.656.162

Personnel expenses

	1 January – 31 December 2017	1 January – 31 December 2016
Cost of Sales (Note 19)	25.837.837	23.109.858
Marketing and sales expenses (Note 20)	9.800.395	9.094.124
Administrative expenses (Note 21)	9.416.886	9.232.888
Total	45.055.118	41.436.870

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

	1 January – 31 December 2017	1 January – 31 December 2016
Wages and salaries	42.990.392	39.628.087
Increase in the provision for severance pay	1.708.107	1.479.586
Other	356.619	329.197
Total	45.055.118	41.436.870

NOT 23 – OTHER OPERATING INCOME AND EXPENSES

Other operating income

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

	1 January – 31 December 2017	1 January – 31 December 2016
Interest income on credit sale	7.124.844	6.075.049
Foreign exchange gains on operations	337.657	1.121.616
Insurance income	740.508	390.075
Other	1.000.322	847.152
Total	9.203.331	8.433.892

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NOT 23 – OTHER OPERATING INCOME AND EXPENSES (CONTINUED)

Other operating expense

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

	1 January – 31 December 2017	1 January – 31 December 2016
Foreign exchange losses on operations	1.017.738	2.257.148
Litigation provision	1.302.271	--
Fire damage expenses (*)	1.273.063	--
Provision for doubtful receivables	320.440	305.671
Other	187.852	391.039
Total	4.101.364	2.953.858

(*) At 3 December 2016, the company warehouses and finished warehouse were partially damaged in the fire in the warehouse section of the Company's Gebkim factory in Dilovasi. Fire damage expenses includes the expenses that can not be collected from insurance.

NOT 24 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

For the years ended 31 December, income and expenses from investment activities comprised the following:

	1 January – 31 December 2017	1 January – 31 December 2016
Gain on sale of property, plant and equipment	42.731	124.307
Income from investing activities	42.731	124.307
Loss on sale of property, plant and equipment	(82.366)	(38.347)
Expense from investing activities	(82.366)	(38.347)
Expense/ (income) from investing activities, net	(39.635)	85.960

NOT 25 – FINANCE INCOME AND EXPENSES

Finance income

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

	1 January – 31 December 2017	1 January – 31 December 2016
Interest income on time deposits	208.613	348.597
	208.613	348.597

Finance expense

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

	1 January – 31 December 2017	1 January – 31 December 2016
Interest expense on borrowings	8.993.035	9.492.927
Interest cost on defined benefit plan	821.467	698.844
Commission expenses	739.312	726.752
Foreing exchange losses	-	10.825
Total	10.553.814	10.929.348

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NOT 26 – OTHER COMPREHENSIVE INCOME

As at 31 December 2017 expense amounting to TL 745.164 (expense amounting to TL 1,745,592) has been realized in other comprehensive income which will not be reclassified from profit or loss.

NOT 27 – INCOME TAX

Corporate income tax is levied at the rate of 20 percent (2016: 20 percent).

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax is in use since 23 July 2006. Commencing from 23 July 2006, the rate has been changed to 15% from 10% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Corporations are required to pay advance corporation tax quarterly at the rate of 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.

Current tax assets and liabilities

As at 31 December, total current tax liability comprised the following:

	31 December 2017	31 December 2016
Corporate tax provision	5.250.810	5.124.537
Prepaid taxes	(3.706.762)	(3.842.410)
Total current tax liability	1.544.048	1.282.127

As at 31 December, total tax expense comprised the following:

	31 December 2017	31 December 2016
Current year tax expense	5.250.810	5.124.537
Deferred tax expense	(774.718)	256.811
	4.476.092	5.381.348

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NOT 27 – INCOME TAX (CONTINUED)

Deferred tax assets and liabilities

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

The Company recognizes deferred tax assets in the financial statements by taking into consideration the factors such as the developments in the sector that the Company is operating, taxable income in the forthcoming years. Turkey's general economic and political situation, and/or global economic and political situations. The Company expects to generate taxable income in the forthcoming years and considers.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20 percent to 22 percent. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22 percent tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20 percent tax for those which will be realized after 2021 and onwards.

Deferred tax assets and deferred tax liabilities as at 31 December 2017, were attributable to the items detailed in the table below:

31 December 2017 tarihi itibarıyla, ertelenen vergi varlıkları ve yükümlülükleri detayı aşağıdaki gibidir:

31 December 2017		
	Temporary Differences	Deferred Tax Assets/(Liabilities)
Employee severance indemnity	10.211.807	2.042.361
Vacation pay liability	3.085.689	617.138
Unrecognized interest expense	1.404.108	308.904
Effect of amortization and depreciation of tangible and intangible assets	(14.718.008)	(2.943.602)
Other	3.212.679	706.790
Deferred tax asset/(liability), net		731.591

Deferred tax assets and deferred tax liabilities as at 31 December 2016, were attributable to the items detailed in the table below:

31 December 2016		
	Temporary Differences	Deferred Tax Assets/(Liabilities)
Employee severance indemnity	8.945.744	1.789.149
Vacation pay liability	3.164.880	632.976
Unrecognized interest expense	771.646	154.329
Effect of amortization and depreciation of tangible and intangible assets	(14.071.302)	(2.814.260)
Other	41.940	8.388
Deferred tax asset/(liability), net		(229.418)

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NOT 27 – INCOME TAX (CONTINUED)

Deferred tax assets and liabilities (Continued)

For the years ended 31 December 2017 and 2016, the movement of deferred tax liabilities is as follows:

	1 January – 31 December 2017	1 January – 31 December 2016
Opening balance as of 1 January	(229.418)	(409.005)
Other comprehensive deferred tax of income	186.291	436.398
Deferred tax income/ (expense)	774.718	(256.811)
Closing balance as of 31 December	731.591	(229.418)

For the years 31 December, the tax reconciliation is as follows:

	%	31 December 2017	%	31 December 2016
Profit before tax		22.458.816		26.323.903
Tax rate %		20		20
Taxes on reported profit per statutory tax	20	(4.491.763)	20	(5.264.781)
Disallowable expenses	--	(137.709)	--	(102.540)
Effect of change in statutory tax rate on deferred tax	--	92.336	-	--
Other	--	61.044	--	(14.027)
Tax expense	20	(4.476.092)	20	(5.381.348)

NOT 28 – EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the year ended 31 December 2017 amounting to TL 17.982.724 (31 December 2016: TL 20.942.555) to the weighted average of the shares during these periods.

	1 January – 31 December 2017	1 January – 31 December 2016
Earnings per share		
Net Profit	17.982.724	20.942.555
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335
Number of weighted average of ordinary shares	0,007	0,009
Basic Earnings per share (Kr per share)	0,007	0,009

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 29 – FINANCIAL INSTRUMENTS

Financial risk management

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

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

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

The Company audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party.

The management of the Company covers these risks by limiting the average risk for counter party (except related parties) in all contracts and receiving guarantees if necessary. The Company works through agency system within Turkey to a great extent. The Company minimizes the collection risk by the guarantee letters taken from agencies, liens and commitment notes received before the sale and controls the orders of agencies out of guarantee by comparing these guarantees received from the agencies with their receivables. The Company is exposed to credit risk amounting to TL 22.444.453 (2016: TL 15.670.287) when comparing the existing risks of the customers with the receivables.

Provisions are considered to be within the prescribed limits when considering the past experience of collecting the Company's trade receivables. Therefore, management does not foresee any additional risk related to the Company's trade receivables.

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 29 – FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at 31 December 2017, the Company has guaranteed the receivables amounting to TL 154.928.000 (31 December 2016: TL 142.861.998) via Direct Borrowing System aiming to avoid liquidity risk. As at 31 December 2017, the Company has no factoring loans (31 December 2016: TL 4.927.025).

Market risk

Market risk is the risk that changes in market prices, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts..

Currency risk

The Company is exposed to currency risk due to its import transactions and borrowings in foreign currency. These transactions are held in USD, Euro. 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.

Operational risk

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

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses. In this context, the following company procedures and internal control issues have been identified:

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 30 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Capital risk management

The company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing its profit and market value through the optimization of the debt and equity balance.

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 5,2 percent (31 December 2016: 6,5 percent) of the Company's revenue is attributable to sales transactions with a single customer. Largest balance of trade receivables is TL 8.300.008 for a single customer (31 December 2016: TL 9.274.836).

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

	31 December 2017	31 December 2016
1. and 5. District Office (Marmara, West Black Sea Regions)	65.405.466	53.841.886
2. District Office (Central Anatolia, Middle Black Sea Regions)	20.636.371	12.993.367
4. District Office (Aegean and Mediterranean Sea Regions)	15.655.508	11.320.723
Middle East, Balkans, Africa and Others	12.803.704	20.352.057
3. District Office (South East Anatolia, East Anatolia, East Black Sea Regions)	10.177.748	10.320.810
Total	124.678.797	108.828.843

As at 31 December 2017, the Company has a letter of guarantee amounting to TL 7.294.637 (2016: TL 9.319.685), mortgage amounting to TL 10.000 (2016: TL 10.000), Eximbank guarantee amounting to TL 16.222.621 (2016: TL 12.944.086), collaterals received as notes amounting to TL 240.000 borrowing system guarantees amounting to TL 154.928.000 (31 December 2016: TL 142.861.998).

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

NOT 30 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

(All amounts are expressed in TL.)

	Receivables					
	Trade Receivables			Other Receivables		
31 December 2017	Related Party	Other		Related Party	Other	
Exposure to maximum credit risk as at reporting date (*) (A +B+C+D)	2.151.391	122.527.406		--	27.242	22.850.828
- The part of maximum risk under guarantee with collateral	2.151.391	122.527.406		--	27.242	22.850.828
A. Net carrying value of financial assets which are neither impaired nor overdue	2.151.391	119.296.992		--	27.242	22.850.828
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	--		--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	3.230.414		--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	2.561.145		--	--	--
D. Net carrying value of financial assets which are impaired	--	--		--	--	--
- Past due (gross book value)	--	1.816.440		--	--	--
- Impairment (-)	--	(1.816.440)		--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--		--	--	--
- Impairment (-)	--	--		--	--	--
E. Off balance sheet items with credit risks	--	--		--	--	22.850.828

Receivables

31 December 2017	Trade receivables	Other receivables
Past due 1-30 days	1.496.678	--
Past due 1-2 months	844.104	--
Past due 3-6 months	558.124	--
More than 6 months	331.509	--

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

NOT 30 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

(All amounts are expressed in TL.)

	Receivables					
	Trade receivables		Other Receivables		Deposits on Banks	Other
31 December 2016	Related Party	Other	Related Party	Other		
Exposure to maximum credit risk as at reporting date (*) (A +B+C+D)	131.702	108.697.141	--	1.378.665	19.697.146	14.950.898
- The part of maximum risk under guarantee with collateral	131.702	108.697.141	--	1.378.665	19.697.146	14.950.898
A. Net carrying value of financial assets which are neither impaired nor overdue	131.702	92.704.046	--	1.378.665	19.697.146	14.950.898
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	--	15.993.095	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	15.480.593	--	--	--	--
D. Net carrying value of financial assets which are impaired	--	--	--	--	--	--
- Past due (gross book value)	--	1.759.808	--	--	--	--
- Impairment (-)	--	(1.759.808)	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	14.950.898

Receivables

31 December 2016	Trade receivables	Other receivables
Past due 1-30 days	14.680.651	--
Past due 1-2 months	825.935	--
Past due 3-6 months	484.437	--
More than 6 months	2.072	--

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 30 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

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

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

As at 31 December 2017, loan limits and terms to maturities have been determined by associate banks to the customers who have been included in DBS system. The Company has declared that it has right to recall the loans which have been granted to customers that who have not been performing regular loan repayment and customers who have been regularly making payment at a level of credit limit for the 30 days period. The Company has accepted that if the loans in question are not closed within the specified period, the Company accepted that the Banks have right to engage legal proceedings for related customer.

As at 31 December 2017, the Company has guaranteed its overdue receivables by direct borrowing system (DBS) guarantees amounting to TL 1.854.257 (31 December 2016: 15.285.522) and Eximbank guarantee amounting to TL 706.888 (31 December 2016: TL 153.474). As at 31 December 2017, there is no guarantee letter (31 December 2016: TL 41.597).

Liquidity risk

The below tables show the monetary liabilities of the Company according to their remaining maturities as at 31 December 2017:

Maturity Per Agreements		Total Contractual		
Non-derivative Financial Liabilities	Book Value	Cash Outflows	0-3 Months	3-12 Months
Financial liabilities				
Trade payables	69.076.275	69.076.275	69.076.275	--
Employee benefit obligations	36.079	36.079	36.079	--
Other short term liabilities	5.550.382	5.550.382	5.550.382	--
Employee benefit obligations	1.097.072	1.097.072	1.097.072	--

The below tables show the monetary liabilities of the Company according to their remaining maturities as at 31 December 2016:

Maturity Per Agreements		Total Contractual		
Non-derivative Financial Liabilities	Book Value	Cash Outflows	0-3 Months	3-12 Months
Financial liabilities	46.049.226	46.049.226	46.049.226	--
Trade payables	49.400.919	49.400.919	49.400.919	--
Employee benefit obligations	26.988	26.988	26.988	--
Other short term liabilities	6.440.087	6.440.087	6.440.087	--
Employee benefit obligations	488.330	488.330	488.330	--

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Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 30 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Currency risk

As at 31 December 2017 and 2016, net position of the Company is resulted from foreign currency assets and liabilities:

CURRENCY POSITION

	31 December 2017			31 December 2016		
	TL	USD	Euro	TL	USD	Euro
1. Trade receivables	13.071.875	2.756.649	592.198	8.796.314	2.014.103	460.466
2a. Monetary financial assets	4.944.372	986.928	270.574	2.011.511	466.027	100.129
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	--	--	--	--	--	--
4. Current Assets (1+2+3)	18.016.247	3.743.577	862.772	10.807.825	2.480.130	560.595
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)	18.016.247	3.743.577	862.772	12.677.938	3.715.015	590.432
10. Trade payables	28.136.983	6.190.761	1.059.916	8.928.391	1.818.975	681.165
11. Financial liabilities	--	--	--	4.927.024	1.400.041	--
12a. Monetary financial liabilities	9.144.665	2.405.572	15.743	18.550	--	5.000
12b. Non-monetary financial liabilities	--	--	--	--	--	--
13. Short Term Liabilities (10+11+12)	37.281.648	8.596.333	1.075.659	13.873.965	3.219.016	686.165
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	--	--	--	--	--	--
16a. Monetary financial liabilities	--	--	--	--	--	--
16b. Non-monetary financial liabilities	--	--	--	--	--	--
17. Long Term Liabilities (14+15+16)	--	--	--	--	--	--
18. Total Liabilities (13+17)	37.281.648	8.596.333	1.075.659	13.873.965	3.219.016	686.165
19. Off-Balance sheet financial derivative net asset (liability) position (19a-19b)	22.831.912	5.923.910	107.965	--	--	--
19a. Off-balance sheet foreign currency derivative assets	22.831.912	5.923.910	107.965	--	--	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--	--	--	--
20. Net foreign currency asset (liability) position (9-18+19)						

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 30 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

CURRENCY POSITION						
	31 December 2017			31 December 2016		
	TL	USD	Euro	TL	USD	Euro
21. Monetary items net foreign currency asset (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	3.566.511	1.071.154	(104.922)	(3.066.140)	(738.886)	(125.570)
22. Total fair value of financial instruments used for currency swap	(19.265.401)	(4.852.756)	(212.887)	(3.066.140)	(738.886)	(125.570)
20. Net foreign currency asset (liability) position (9-18+19)	443.449	116.409	967	--	--	--
23. Hedged amount of foreign denominated assets	--	--	--	--	--	--
24. Hedged amount of foreign denominated liabilities	--	--	--	--	--	--

Sensitivity analysis

The Company is exposed to foreign currency risk due to TL, Euro and USD exchange rate fluctuations.

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies, both short-term and long-term purchase contracts. The analysis excludes net foreign currency investments.

As at 31 December 2017 and 2016 currency sensitivity analysis is as follows;

CURRENCY SENSITIVITY ANALYSIS				
	2017 Profit / (Loss)		2016 Profit / (Loss)	
	Appreciation of Foreign Currency		Appreciation of Foreign Currency	
	Assumption of devaluation/appreciation by 10% of USD against TL			
1- Net USD asset/(liability)	404.029	(404.029)	(260.029)	260.029
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- Net US Dollar effect (1+2)	404.029	(404.029)	(260.029)	260.029
	Assumption of devaluation/appreciation by 10% of Euro against TL			
4- Net Euro asset/(liability)	(47.378)	47.378	(46.585)	46.585
5- Part of hedged from Euro risk (-)	-	-	-	-
6- Net EUR effect (4+5)	(47.378)	47.378	(46.585)	46.585
	Assumption of devaluation/appreciation by 10% of other currencies against TL			
7- Other currency net asset/(liability)	-	-	-	-
8- Part of hedged from other currency (-)	-	-	-	-
9- Net other currency effect (7+8)	-	-	-	-
TOTAL (3+6+9)	356.651	(356.651)	(306.614)	306.614

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 30 – NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk (Continued)

Sensitivity analysis (Continued)

For the years ended 31 December 2017 and 2016, total import and export of the Company comprised the following:

	31 December 2017	31 December 2016
Total exports	81.134.539	62.529.776
Total imports	82.070.435	94.082.692

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to The Financial Statements

As at and For The Year Ended 31 December 2017

(All amounts are expressed in TL.)

NOT 31 – FINANCIAL INSTRUMENTS (THE FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING FOR FINANCIAL RISK)

Fair value

As at 31 December 2017 and 2016, fair values and carrying values of assets and liabilities are shown in the table below:

	Not	31 December 2017		31 December 2016	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Cash and cash equivalents	4	22.054.849	22.054.849	29.372.628	29.372.628
Trade receivables	7	124.734.652	124.734.652	108.828.843	108.828.843
Other receivables	8	27.242	27.242	1.378.665	1.378.665
Financial liabilities					
Financial liabilities	5	(49.866.593)	(49.866.593)	(46.049.226)	(46.049.226)
Trade payables	7	(69.076.275)	(69.076.275)	(49.400.919)	(49.400.919)
Other payables	8	(36.079)	(36.079)	(26.988)	(26.988)
Payables related to employee benefits	16	(5.550.382)	(5.550.382)	(6.440.087)	(6.440.087)
Net		23.185.797	23.185.797	37.662.916	37.662.916

Fair value disclosures

The company has determined the estimated fair values of the financial instruments by using current market information and appropriate valuation methods.

Fair values of financial assets and liabilities are estimated to approximate their carrying values since they have short term maturities.

Determination of Fair Values

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

Level 1: Specific (uncorrected) prices in active markets for identical assets and obligations;

Level 2: Directly (via prices) or indirectly (via producing from prices) variables which are observable for assets and liabilities and apart from specific prices mentioned in Level 1.

Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

NOT 32 – EVENTS AFTER THE BALANCE SHEET DATE

None.

NOT 33 – OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR MAKE THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None.

Adress and Telephones

You can access our free
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Dilovasi Stonewool Production Plant

Dilovası Organize Sanayi Bölgesi 1. Kısım Dicle Cad. No: 8

41455 Dilovası - Kocaeli

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+90 262 754 81 65 / 6 lines

Fax : +90 262 754 51 57

Dilovasi Gebkim Production Plants

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Tarsus Glaswool And Foamboard Production Plants

Tarsus - Adana Karayolu Üzeri 6. Km.

PK 69 Tarsus 33401 Mersin

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Fax : +90 324 616 25 90

+90 324 616 25 92 (Purchasing)

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Yekeler Ofis Plaza Kat: 4 No: 25

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Principles of Action and Conduct

We are the leading company in its sector with principles of action and conduct.

PRINCIPLES OF WORK

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

PRINCIPLES OF CONDUCT

- Professional Commitment
- Respect for Others
- Integrity
- Honesty
- Solidarity

