İzocam Ticaret ve Sanayi Anonim Şirketi

Convenience Translation into English of Financial Statements As at 31 December 2012 With Independent Auditor's Report Thereon

20 February 2012

This report is XXXX pages

Auditors' Report

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

We have audited the accompanying financial statements of İzocam Ticaret ve Sanayi Anonim Şirketi, which comprise the statement of financial position as at 31 December 2012, and the related statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting standards of Capital Market Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the statement of financial position of İzocam Ticaret ve Sanayi Anonim Şirketi as at 31 December 2012, and the related statement of comprehensive income, statement of changes in equity and cash flows in accordance with the financial reporting standards (please see Note 2) promulgated by CMB.

Additional paragraph for convenience translation to English

As explained in note 2.1, the accompanying financial statements are not intended to present the financial position and results of its operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

İstanbul, 20 February 2013

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakkı Özgür Sıvacı
İstanbul, Türkiye

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İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Financial Position as at 31 December 2012

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

		Audited	
		Current Period	**Prior Period**
	Note	**31 December 2012**	**31 December 2011**
ASSETS			
Current Assets		**115,303,906**	**123,179,489**
Cash and Cash Equivalents	4	4,581,135	30,166,461
Trade Receivables	6	83,494,505	72,544,586
Due From Related Parties	*25*	*1,541,548*	*1,175,654*
Other Trade Receivables		*81,952,957*	*71,368,932*
Inventories	8	22,392,199	19,957,988
Other Current Assets	14	4,836,067	510,454
Non-Current Assets		**90,972,401**	**74,356,070**
Other Receivables	7	3,955	3,955
Property, Plant and Equipment	9	90,916,947	74,229,403
Intangible Assets	10	50,626	86,762
Other Non-Current Assets	14	873	1,824
Deferred Tax Asset	23	--	34,126
TOTAL ASSETS		**206,276,307**	**197,535,559**
LIABILITIES			
Short-Term Liabilities		**50,081,808**	**37,854,564**
Bank Borrowings	5	14,476,383	5,233,090
Trade Payables	6	27,855,075	22,827,894
Due To Related Parties	*25*	*390,402*	*504,454*
Other Trade Payables		*27,464,673*	*22,323,440*
Other Payables	7	33,785	1,597
Income Tax Payable	23	1,920,949	2,851,061
Accrued Liabilities	11	3,280,377	2,999,115
Other Short-Term Liabilities	14	2,419,669	3,861,922
Employee Benefits	13	95,570	79,885
Long-Term Liabilities		**7,916,151**	**5,464,441**
Employee Benefits	13	7,594,023	5,464,441
Deferred Tax Liability	23	322,128	--
EQUITY		**148,278,348**	**154,216,554**
Paid-in Capital	15	24,534,143	24,534,143
Inflation Adjustment on Capital	15	25,856,460	25,856,460
Share Premium	15	1,092	1,092
Restricted Reserves	15	29,982,894	27,105,565
Retained Earnings		43,841,965	42,094,853
Net Profit For The Period		24,061,794	34,624,441
TOTAL LIABILITIES		**206,276,307**	**197,535,559**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Comprehensive Income for the Year Ended 31 December 2012

Amounts expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.

	Notes	Audited 31 December 2012	Audited 31 December 2011
Revenues	16	318,292,485	286,431,333
Cost of Sales (-)	16	(239,176,488)	(204,988,643)
GROSS PROFIT		**79,115,997**	**81,442.690**
Selling, Marketing and Distribution Expenses (-)	17	(36,524,102)	(31,459,249)
Administrative Expenses (-)	18	(12,579,621)	(10,760,028)
Other Operating Income	20	135,291	203,345
Other Operating Expense (-)	20	(1,257,726)	(75,122)
OPERATING PROFIT		**28,889,839**	**39,351,636**
Finance Income	21	4,661,284	4,571,315
Finance Costs (-)	22	(3,196,998)	(605,162)
PROFIT BEFORE TAX		**30,354,125**	**43,317,685**
Current Tax Expense	23	(5,936,077)	(9,911,243)
Deferred Tax Credit/(Charge)	23	(356,254)	1,217,999
NET PROFIT FOR THE PERIOD		**24,061,794**	**34,624,441**
Earnings Per Share (“Kr”)	24	0.00981	0.01411

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Changes in Equity for the Year Ended 31 December 2012

Amounts expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.

	Notes	Capital	Inflation Adjustment on Capital	Share Premium	Restricted Reserves: Legal Reserves	Restricted Reserves: Special Reserves	Restricted Reserves: Total	Retained Earnings	Net Profit for the Year	Total Equity
Balances at 1 January 2011		**24,534,143**	**25,856,460**	**1,092**	**24,358,839**	**46**	**24,358,885**	**41,972,182**	**31,562,858**	**148,285,620**
Total comprehensive income										
Net profit for the year	**15**	--	--	--	--	--	--	--	34,624,441	**34,624,441**
Total comprehensive income		--	--	--	**2,746,680**	--	**2,746,680**	**28,816,178**	**34,624,441**	**34,624,441**
Transfer to reserves	**15**	--	--	--	2,746,680	--	2,746,680	28,816,178	(31,562,858)	--
Transactions with owners, recorded directly in equity		--	--	--	--	--	--	--	--	--
Dividends to equity holder	**15**	--	--	--	--	--	--	(28,693,507)	--	(28,693,507)
Total transactions with owners		--	--	--	--	--	--	*(28,693,507)*	--	*(28,693,507)*
Balances at 31 December 2011		**24,534,143**	**25,856,460**	**1,092**	**27,105,519**	**46**	**27,105,565**	**42,094,853**	**34,624,441**	**154.216.554**
Balances at 1 January 2012		**24,534,143**	**25,856,460**	**1,092**	**27,105,519**	**46**	**27,105,565**	**42,094,853**	**34,624,441**	**154.216.554**
Total comprehensive income										
Net profit for the year	**15**	--	--	--	--	--	--	--	24,061,794	24,061,794
Total comprehensive income		--	--	--	**2,877,329**	--	**2,877,329**	**31,747,112**	**24,061,794**	**24,061,794**
Transfer to reserves	15	--	--	--	2,877,329	--	2,877,329	31,747,112	(34,624,441)	--
Transactions with owners, recorded directly in equity		--	--	--	--	--	--	--	--	--
Dividends to equity holder	**15**	--	--	--	--	--	--	(30,000,000)	--	(30,000,000)
Total transactions with owners		--	--	--	--	--	--	***(30,000,000)***	--	***(30,000,000)***
Balances at 31 December 2012		**24,534,143**	**25,856,460**	**1,092**	**29,982,848**	**46**	**29,982,894**	**43,841,965**	**24,061,794**	**148,278,348**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Cash Flows for the Year Ended 31 December 2012

Amounts expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.

	Note	Reviewed Current Period 31 December 2012	Reviewed Prior Period 31 December 2011
Cash flows from operating activities			
Net profit for the period		24,061,794	34,624,441
Adjustments to:			
Depreciation and amortization	9,10	10,311,264	11,918,535
Current tax expense	23	5,936,077	9,911,243
Deferred tax expense	23	356,254	(1,217,999)
Provision for employee severance indemnity		2,628,480	1,741,638
Provision for vacation pay liability	13	332,184	488,750
Finance income	21	(4,661,284)	(4,381,339)
Finance cost	22	2,132,839	605,162
Gain (losses) on sale of tangible assets-net	20	89,235	(27,670)
Allowance for bad debt receivables	6.1	125,523	24,020
Other non-monetary provisions		11,075,458	9,136,920
Operating profit before changes in working capital		**52.407.824**	**62,823,701**
Change in trade receivables		(10,709,548)	(15,578,327)
Change in other receivables		--	(1,087)
Change in due from related parties		(365,894)	(514,513)
Change in blockage amount		(1,758,822)	984,559
Change in inventories		(2,434,211)	(2,245,490)
Change in other current assets		(1,586,963)	4,458,319
Change in trade payables		5,141,233	4,408,072
Change in other non-current assets		951	(1,353)
Change in due to related parties		(125,292)	195,445
Change in other payables		32,188	(12,311)
Change in other liabilities		(1,442,254)	1,885,916
Taxes paid		(6,866,189)	(8,631,748)
Interest paid		(1,803,118)	(473,315)
Employee severance indemnity paid	13	(1,018,972)	(638,102)
Provisions paid	11	(10,920,342)	(8,742,949)
Net cash from operating activities		**18,530,591**	**37,916,817**
Cash flows used in investing activities			
Acquisition of property, plant and equipment	9	(27,715,635)	(18,113,954)
Acquisition of intangible assets	10	(5,755)	(83,784)
Proceeds from sales of property, plant and equipment		669,482	165,345
Advances given for tangible assets		(2,738,648)	--
Investing activities		**(29,790,556)**	**(18,032,393)**
Financing activities			
Change in bank borrowings and other financial liabilities		9,243,293	(2,145,433)
Dividend paid	15	(29,988,760)	(28,682,529)
Interest received, net		4,702,220	4,433,577
Cash flows used in financing activities		**(16,043,247)**	**(26,394,385)**
Change in cash and cash equivalents, net		(27,303,212)	(6,509,961)
Cash and cash equivalents at the beginning of the period		**28.876.183**	**35,386,144**
Cash and cash equivalents at the end of the period	**4**	**1,572,971**	**28,876,183**

The accompanying notes are an integral part of these financial statements

1 ORGANIZATION AND NATURE OF BUSINESS

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

As at 31 December 2012,through collection of shares publicly traded on İstanbul Stock Exchange ("ISE") and collected shares of İzocam from İzocam Holding Anonim Şirketi ("İzocam Holding") in İzocam Holding have reached to 95.07 percent invest in İzocam. Together with 1,501,330,396 shares representing 61.16 percent of paid-in capital of İzocam not traded on ISE (which İzocam Holding purchased from Koç Group on 29 November 2006) and on 10 July 2007, 831,117,304 shares being traded on ISE which represents 33.91 percent of paid-in capital of İzocam, the shares of İzocam Holding in İzocam is 95.07 percent. İzocam Holding is a joint venture of Compagnie de Saint Gobain Group and Alghanim Group by 50 percent each.

The Company conducts some of its operations with the related party namely Saint Gobain Group and Alghanim Group of companies. The Company has several related parties as their customers and suppliers (Note 25). The Company is registered at Capital Market Board of Turkey ("CMB") and its shares are listed in ISE since 15 April 1981. As at 31 December 2012, 38.84 percent of the shares of İzocam are publicly traded at ISE.

As at 31 December 2012, the average number of employees of the Company is 436 (31 December 2011: 434) in which 191 (31 December 2011: 189) is comprised white collar employees and 245 (31 December 2011: 245) is comprised blue collar employees.

The address of the registered office of the Company is as follows:
Organize Sanayi Bölgesi
3. Cadde No.4 Yukarı Dudullu
34775 Ümraniye İSTANBUL

The head office address of the Company is as follows:

Dilovası Organize Sanayi Bölgesi

1.Kısım Dicle Caddesi No:8

Dilovası / KOCAELİ

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of compliance

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

The accompanying financial statements of the Company have been prepared in accordance with the accounting and reporting principles issued by CMB ("CMB Financial Reporting Standards"). CMB published Communiqué No: XI-29 "Basis for Financial Reporting in the Capital Markets" ("Communiqué No: XI-29"). In Communiqué No: XI-29, CMB determines the principles, procedures and basis for preparing of the financial reports. Communiqué No: XI-29 is effective from the first interim period reporting after 1 January 2008 which supersedes Communiqué No: XI-25 "The Accounting Standards in Capital Markets" ("Communiqué No: XI-25"). In accordance with Communiqué No: XI-29, the companies are required to prepare their financial statements in accordance with the International Financial Reporting Standards as accepted by the European Union ("EU GAAP"). However, until Turkish Accounting Standards Board ("TASB") publishes the differences between the European Union accepted IAS/IFRS and International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"), IAS/IFRS has to be applied by the companies. Within the above mentioned scope, Turkish Financial Reporting Standards ("TFRS") issued by TASB will be applied if there is not inconsistency in the standards applied. The Company has prepared its financial statements as at 31 December 2012 in accordance with IFRS.

Published in the Official Gazette and entered into force on 2 November 2011 by Decree No. 660 of Law No. 2499, which are among the organization an additional 1st TASB agent has been revoked and the Public Oversight Accounting and Auditing Standards Board ("Oversight Agency"), the Council of Ministers decided to establish. This is a temporary 1st of Decree Law According to the article published by the Public Oversight Agency standards and regulations come into force until the implementation of existing regulations will continue to be based on the issues. This does not cause any change of Basis of Presentation as of reporting date.

The accompanying financial statements of the Company have been approved by the board of directors of the Company on 20 February 2013. The general assembly and legal authorities are competent to change the accompanying financial statements.

Additional paragraph for convenience translation to English:

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

2.1.2 Basis of presentation of financial statements

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

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

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.1 Basis of Presentation *(Continued)*

2.1.3 Functional and presentation currency

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

2.1.4 Comparative information

The accompanying financial statements are prepared comparatively to present the tendency in the financial position, financial performance and cash flows of the Company. If necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative information is reclassed and related differences are explained in related notes.

2.2 Changes in Accounting Policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in the financial statements. The Company consistently recognizes measures and presents the transactions, other events and situations with the same nature. Changes in accounting policies or accounting errors (if any) are corrected, retrospectively; trough restating the prior period financial statements.

2.3 Changes in Accounting Estimates and Errors

Effect of changes in accounting estimates affecting current period (if any) is recognized in the current period; effect of changes in accounting estimates affecting current and future periods is recognized prospectively.

2.4 Changes in IFRS

2.4.1 New standards and interpretations adopted in 2012 that have no effect on the Company's financials

As a result of the amendments, SIC-21 Income Taxes—Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn. The amendment is effective for annual periods beginning on or after 1 January 2012 and it is not expected to have any impact on the financial statements.

IASB has issued amendments to *IAS 12* "*Income Taxes"* as at 31 December 2010. Amendment in TMS 12 results in an exception to the measurement values of income taxes on investment properties measured based on fair value. Measurement of liabilities and deferred tax asset is determined in line with the possibility that carrying value of the property may not recover by sales approach under these limited conditions. Such possibility is not available for business models only including investment properties subject to depreciation and asset providing lifetime economic benefits in essence.

IAS 12 "Deferred Taxes – Recoverability of subject assets" resulted in a change that an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. These amendments are effective for financial statements beginning 1 January 2012 or periods after, and are not expected to have a material impact on the financial statements presented herein. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "*Investment Property*". The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be through sale.

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.4 Changes in IFRS

2.4.2 New Standards and Interpretations Not Yet Adopted as at 31 December 2012 (continued)

2.4.3 New Standards and Interpretations Not Yet Adopted as at 31 December 2012

As of 31 December 2012, there are new standards and updates to the existing standards and interpretations that are not effective for the preceding twelve-month period and not applied in connection with the preparation of the attached financial statements. These amendments does not have any material impact on the attached financial statements except for the statements layout as below that have not been issued by TMSK yet but currently exist within International Financial Reporting Standards ("IFRS") and expected to be issued by TMSK.

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

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

IFRS 11 "Joint Arrangements" and IFRS 12 "*Disclosure of Interests in Other Entities*" could be adopted early jointly if they are adopted together at the same time.

IAS 27 "*Consolidated and Separate Financial Statements*" (2011) replaces IAS 27 (2008) and is effective as of 1 January 2013 or for the following periods. The standard replaced IAS 27's provisions related to the consolidation. A new definition of "*control*" was made in connection with determining the companies subject to the consolidation. This is a principle-based standard that provides preparer of the financial statements more grounds for decision-making purposes. Such standard is not expected to have a material impact on the financial condition or result of operations of the Company.

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

IFRS 10 "Consolidated Financial Statements" replaces IAS 27 (2007) and IAS 12 Interpretation *Consolidation – Special Purpose Entities*" and effective as of 1 January 2013 and following periods.

IFRS 12 "Disclosure of Interests in Other Entities" standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early. IFRS 12 includes all of the disclosures that were previously in IAS 27 "*Consolidated and Separate Financial Statements*" related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 "*Interests in Joint Ventures*" and IAS 28 "*Investment in Associates*".

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.4 Changes in IFRS

2.4.2. New Standards and Interpretations Not Yet Adopted as at 31 December 2012 (continued)

These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard it is expected that more comprehensive disclosures will be given for interests in other entities.

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

As a result of issuance of IFRS 10, IASB made certain amendments to IAS 27 "*Consolidated and Separate Financial Statements*". These amendments resulted in the fact that IAS 27 only includes accounting provisions for subsidiary, joint venture and associates. The provisions of the amendments are in line with IFRS 10. The standard is effective as of 1 January 2013 and following annual periods. These amendments are not expected to have a material impact on the Company's financial statements.

Amended *IAS 19 "Employee Benefits"* standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among there numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

IAS 28 Investments at Subsidiaries and Associates (2011) replaces IAS 28 (2008) and effective as of 1 January 2013 and following annual periods.

There were also amendments made to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities. The amendments clarify the meaning of ―currently existing legally enforceable right to set-off− and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearinghouse systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Summary of Significant Accounting Policies

All disclosures described below have been applied properly during all reporting periods presented by the Company. Significant accounting policies applied during the preparation of the financial statements are summarized as follows.

2.5.1 Foreign currency

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

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

2.5.2 Financial instruments

Non-derivative financial assets

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

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 on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

The Company classifies non-derivative financial assets: loans and receivables.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies *(Continued)*

2.5.2 Financial instruments (Continued)

Non-derivative financial assets (continued)

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, and trade and other receivables, including service concession receivables.

Cash and cash equivalents comprise of cash, deposits with maturity periods of less than three-months and highly liquid investments with maturity periods of less than three-months and having no conversion risk exposure other than the impact of foreign currency changes.

Non-derivative financial liabilities

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

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

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

2.5.3 Property, plant and equipment

The costs of tangible assets purchased before 1 January 2005 are restated for the effects of inflation current at 31 December 2004 less accumulated depreciation and impairment losses. The costs of tangible assets purchased after 31 December 2004 are carried at cost less accumulated depreciation and impairment losses (Note 9).

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

- Material and direct labor costs,
- The assets which are directly attributable costs of bringing into operation; available for the purpose of the Company
- If the Company has a liability in any condition, it will cover the costs of dismembering the parts or restoring them, relocation of the items and restoration of the area which these items are placed;
- Also includes capitalized financial expenses.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies *(Continued)*

2.5.3 Property, plant and equipment (Continued)

Gains or losses on disposals of property plant and equipment are included in the relevant profit and loss accounts and the cost and accumulated depreciation of property, plant and equipment has been derecognized from the relevant accounts as appropriate. When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property plant and equipment together with the repair and maintenance costs can be capitalized. Subsequent cost can be capitalized if it is probable that the future economic benefits will flow to the Company. All other expense items are recognized in profit or loss on an accrual basis.

Depreciation

Items of machinery 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 machinery and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The expected useful lives of property plant and equipment are as follows:

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

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation method, economic useful lives and residual values of tangible assets are reviewed at each reporting period and adjusted if appropriate.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies *(Continued)*

2.5.4 Intangible assets

Intangible assets are comprised acquired software rights. The costs of intangible assets purchased before 1 January 2005 are restated for the effects of inflation current at 31 December 2004 less accumulated amortization and impairment losses. The costs of intangible assets purchased after 31 December 2004 are carried at cost less accumulated amortization and impairment losses. The carrying amount of an intangible asset is reduced to its recoverable amount if there is impairment (Note 10).

Subsequent costs

Subsequent expenditure is capitalised 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 recognised in profit or loss as incurred.

Amortization

Intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful lives for a period between three and six years from the date of acquisition.

Rights	3-6 years

Amortization method, economic useful lives and residual values of intangible assets are revised at each reporting date and adjusted if appropriate.

2.5.5 Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Finance lease payments are presented at amortized cost of the minimum lease payments.

Assets leased under agreements that do not transfer substantially all the risks and rewards associated with ownership to the Company, other than the legal title, are classified as operating leases. Lease payments are recognized in the profit or loss with straight line method through the term of the lease.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies *(Continued)*

2.5.6 Inventories

Inventories are measured at the lower of cost or net realizable value. Cost elements included in inventories are all procurement costs, conversion costs and all other relevant costs in bringing the inventories into their current state of manufacture and location. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 8). The cost of inventories is determined on the moving monthly average basis.

2.5.7 Impairment of assets

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on items that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

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

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

The Company books provision on its certain receivables for which the collection of such receivables may become doubtful in nature as a result of several factors. In addition to these estimated doubtful receivables, a provision is recorded regarding receivables that are past due and uncollected; in litigation or unpaid receivables for which a payment is demanded via writing or filed a formal protest by the creditor. Subsequent to the booking of the provision for the doubtful receivable, any full or partial recovery is deducted from the provision on doubtful receivables and recorded as income.

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies *(Continued)*

2.5.7 Impairment of assets *(Continued)*

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognized in the profit or loss.

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

An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses recognized in respect of the cash generating units are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

2.5.8 Employee benefits

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

The Company makes compulsory premium payments to the Social Security Institution and does not have any other liabilities.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies *(Continued)*

2.5.9 Provisions, contingent liabilities and contingent assets

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

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities is disclosed in the notes to the financial statements (Note 11).

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

2.5.10 Revenue

Revenue based on the fair value of the consideration taken from the sale of goods and services is recognized on an accrual basis when the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue is measured reliably, and recovery of the consideration and the inflow of economic benefits related with the transaction are probable. Net revenues represent the invoiced value of goods shipped less sales returns and sales discounts.

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 21).

2.5.11 Government grants

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

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

2.5.12 Finance income and expenses

Finance income is comprised interest income on time deposit, interest income from credit sales and foreign currency gains. Foreign exchange gain and losses are presented as a net basis. Finance expenses are comprised interest expenses of loans, factoring expenses and letter of guarantee commissions.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies *(Continued)*

2.5.13 Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax liability is recorded at the profit or loss except for the tax effects of accounts directly recorded in the equity or in the other comprehensive income.

Current tax liability includes the tax payable on the taxable income for the period, using tax rates enacted at the reporting date (Note 23).

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates based on the laws that have enacted by the reporting date. Temporary differences mainly arise from the timing differences of income and expenses accounted for reporting purposes and taxation purposes and depreciation method differences over tangible and intangible assets.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets when they are related to the income taxes levied by the same tax authority on the same taxable entity that intend to settle current tax liabilities and assets on a net basis or tax assets and liabilities will be realized simultaneously (Note 23).

2.5.14 Earning per share

Earnings per share disclosed in the profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period concerned (Note 24).

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

2.5.15 Subsequent events

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

2.5.16 Expenses

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

2.5.17 Paid-in capital and dividends

Ordinary shares are classified as paid-in capital (Note 15). Dividends distributed on ordinary shares are offset with retained earnings in the period in which they are declared.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies *(Continued)*

2.5.18 Related Parties

Subsidiaries, shareholders of the Company and companies of the shareholders, and also other companies managed by these companies or related to these companies and managers and directors of these companies are referred to as related parties according to IAS 24 – Related party disclosures (Note 25).

a) An individual or a close family member of such individual is considered as a related party with the Company under the following conditions:

Such individual,

(i) Has control or joint control over the Company,
(ii) Has significant influence on the Company,
(iii) Acts as a key member of the management for the Company or a subsidiary of the Company,

b) An entity is related to the Company if one of the following conditions has met:

(i) Both the Company and the entity belong to the same group of companies,
(ii) The Company is either a subsidiary (or member of the Group that the entity is already a member) or joint venture of the other entity
(iii) Both companies have a joint venture with a third party
(iv) One of the entities have a joint venture with a third party and other entity is a subsidiary of the third party
(v) The entity has post employment benefit plans for the employees of an entity related with the Company. In case such plan exists, the employers acting as sponsors are also related with the Company
(vi) The entity is controlled or jointly controlled by the individual as described at section (a)
(vii) The individual described at part (i) of section (a) has significant influence over the entity or acts as a key member of the management for the aforementioned entity (or a subsidiary of the entity)

2.5.19 Cash flow statement

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

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

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

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies *(Continued)*

2.5.20 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.

2.6 Use of Estimates and Judgments

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

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

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

Note 27 – Determination of fair values
Note 23 – Tax assets and liabilities
Note 13 – Employee benefits
Note 2.5.3 and 2.5.4 – Useful lives of property, plant and equipment and intangible assets
Note 6.1 – Impairment losses on accounts receivable
Note 8 – Impairment losses on inventories
Note 11 – Accrued liabilities

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

3 SEGMENT REPORTING

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

4 CASH AND CASH EQUIVALENTS

At 31 December 2012 and 2011, cash and cash equivalents comprised the following:

	2012	2011
Cash at blockage**	3,008,164	1,249,342
Cheques at collection*	681,160	787,398
Banks		
Time deposit	--	27,950,966
Demand deposit	891,111	178,755
	4,581,135	**30,166,461**

* Cheques in collection are composed of the cheques which have not been transferred to the company's accounts as at 31 December, with a maturity date on or before 31 December. They have been recognized as cheques in collection because they have been collected 1 or 2 days later than their maturity dates.

** As at 31 December 2012, cash and cash equivalents consist of cash at blockage amounting to TL 3,008,164. At 17 March 2010, the Company has started to use Direct Borrowing System ("DBS") which reduces the collection risk and guarantee letter expenses. In accordance with the arrangements made with various banks, instead of the Company, the bank sets a credit limit to customers and the collection is performed by the bank. After the collection, the bank keeps the payments received at blockage.

At 31 December 2012 and 2011, demand deposits comprised the following currencies (TL equivalents);

	2012	2011
TL	555,547	112,627
European Currency Unit ("EURO")	--	66,128
American Dollar ("USD")	336,264	--
	891,811	**178,755**

At 31 December 2012 and 2011, time deposits comprised the following currencies:

	2012	2011
TL	--	15,740,936
EURO	--	4,276,650
USD	--	7,933,380
	--	**27,950,966**

There is no time deposit as at 31 December 2012. (31 December 2011, time deposits are denominated in TL, Euro and USD and weighted average interest rates are 10.73 percent, 4.97 percent and 4.86 percent respectively).

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

4 CASH AND CASH EQUIVALENTS *(CONTINUED)*

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 periods ended 31 December are comprised the followings:

	2012	**2011**
Other cash equivalents	(3,008,164)	(1,249,342)
Cheques at collection	681,160	787,398
Banks		
Demand deposit	891,811	178,755
Time deposit	--	27,950,966
Less: Interest accruals	--	(40,936)
Less: Cash at blockage	(3,008,164)	(1,249,342)
	1,572,971	**28,876,183**

5 BANK BORROWINGS

At 31 December 2012 and 2011, bank borrowings comprised the followings:

	2012	**2011**
Bank borrowings	**9,789,764**	**--**
TL	*9,789,764*	--
USD	--	--
Factoring loans	**4,686,619**	**5,233,090**
USD	*3,876,092*	3,573,091
EURO	*810,527*	1,659,999
	14,476,383	**5,233,090**

As at 31 December 2012, Company's short term borrowings include short term portion of factoring loans and bank borrowings. Receivables and payables related to the factoring activities are presented on gross basis on the face of the Statement of Financial Position due to the fact that factoring transactions are revocable in nature.

6 ACCOUNTS RECEIVABLE AND PAYABLE

6.1 Short-Term Accounts Receivable

At 31 December 2012 and 2011, short-term accounts receivables comprised the followings:

	2012	**2011**
Accounts receivable	70,020,074	61,192,477
Cheques receivable	13,474,431	11,352,109
Doubtful receivables	895,847	1,126,452
Less: Allowance for doubtful receivables	(895,847)	(1,126,452)
	83,494,505	**72,544,586**

At 31 December 2012, TL 1,541,148 of accounts receivable comprised due from related parties (At 31 December 2011: TL 1,175,654) in which detailed presentation is disclosed in Note 25.

The average collection period of trade receivables is 92.7 days (31 December 2011: 88 days) which can change according to the type of the product and the provisions of the agreement with the customer.

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

6 ACCOUNTS RECEIVABLE AND PAYABLE *(CONTINUED)*

6.1 Short-Term Accounts Receivable *(Continued)*

At 31 December 2012 and 2011, maturity profiles cheques and notes receivables are as follows:

	2012	2011
	Cheques	
0 - 30 days	5,668,807	5,338,047
31 - 60 days	4,412,908	2,843,633
61- 90 days	2,406,167	1,623,959
91 days and over	968,549	1,546,470
Total	**13,474,431**	**11,352,109**

At 31 December, **the movement of allowance for doubtful receivables comprised the followings**:

	2012	2011
Beginning balance	1,126,452	1,104,337
Provision for the year	125,523	24,020
Collections during the year	--	(1,905)
Write offs	(356,128)	--
Period end	**895,847**	**1,126,452**

6.2 Short-Term Accounts Payable

At 31 December 2012, short-term accounts payable amounts to TL 27,855,075 (31 December 2011: TL 22,827,894) arising from payable to various suppliers and the average payment period of trade payables is 29.4 days (31 December 2011: 30.9 days).

At 31 December 2012, TL 390,402 of accounts payable comprised due to related parties (31 December 2011: TL 504,454) in which detailed presentation is disclosed in Note 25.

7 OTHER RECEIVABLES AND PAYABLES

7.1 Long-Term Other Receivables

At 31 December 2012, long-term receivables comprised deposits and collaterals amounting to TL 3,955 (31 December 2011: TL 3,955).

7.2 Short-Term Other Payables

At 31 December 2012, short-term other payables amounting to TL 33,785 (31 December 2011: TL 1,597) comprised the other personnel payables.

8 INVENTORIES

At 31 December 2012 and 2011, **inventories comprised the following**:

	2012	2011
Raw materials and supplies	14,422,199	13,485,796
Finished goods	7,039,673	5,926,183
Trading goods	930,327	546,009
	22,392,199	**19,957,988**

At 31 December 2012 and 2011, **inventories are accounted at cost and none of the inventories recognized at its net realizable value.**

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

9 PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2012 movement in the property, plant and equipment comprised the following:

Cost	1 January 2012	Transfer	Additions	Disposals	31 December 2012
Land	6,241,411	--	--	--	6,241,411
Land improvements	4,627,353	--	--	--	4,627,353
Buildings	42,516,607	17,260,362	1,300	(9,597)	59,768,672
Machinery and equipment	179,102,053	19,387,558	140,249	(4,568,972)	194,060,888
Furniture and fixtures	6,774,325	418,859	96,015	(117,903)	7,171,296
Leasehold improvements	72,875	--	--	--	72,875
Construction in progress	12,852,819	(37,066,779)	27,478,071	(454,982)	2,809,129
	252,187,443	**--**	**27,715,635**	**(5,151,454)**	**274,751,624**

Less: Accumulated depreciation	1 January 2012	Charge for the period	Disposals	31 December 2012
Land improvements	(2,839,473)	(128,873)	--	(2,968,346)
Buildings	(20,781,729)	(1,115,050)	4,557	(21,892,222)
Machinery and equipment	(147,988,791)	(8,791,696)	4,276,931	(152,503,556)
Furniture and fixtures	(6,296,418)	(227,074)	111,249	(6,412,243)
Leasehold improvements	(51,629)	(6,680)	--	(58,310)
Total accumulated depreciation	**(177,958,040)**	**(10,269,373)**	**4,392,737**	**(183,834,677)**
Net book value	**74,229,403**			**90,916,947**

For the year ended 31 December 2012, depreciation expenses amounting to TL 8,423,218 (31 December 2011: TL 10,100,683) has been recognized under cost of sales, TL 157,508 (31 December 2011: TL 171,994) has been included under administrative expenses, TL 815,649 has been recognized under other operating expenses and TL 872,998 (31 December 2011: TL 659,227) has been capitalized on stocks.

As at 31 December 2012 and 31 December 2011, there has been no pledge on property, plant and equipment.

For the year ended 31 December 2012 and year ended 31 December 2011, the Company utilizes tangible assets which have nil net book value on its accounts. (31 December 2012 Cost: TL 140,996,393; Accumulated Depreciation: TL 140,996,393; 31 December 2011 Cost: TL 109,235,405 Accumulated Depreciation: TL 109,235,405).

For the year ended 31 December 2012, the items transferred from construction in progress to the relevant items of plant, property and equipment are has depreciation expense of TL 1,410,766 (31 December 2011: TL 610,323).

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

9 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

For the year ended 31 December 2011, movement in the property, plant and equipment comprised the following:

Cost	1 January 2011	Transfer	Additions	Disposals	31 December 2011
Land	815,031	5,526,180	--	(99,800)	6,241,411
Land improvements	4,586,428	40,925	--	--	4,627,353
Buildings	33,899,659	8,626,112	--	(9,164)	42,516,607
Machinery and equipment	170,096,719	9,789,334	216,986	(1,000,986)	179,102,053
Furniture and fixtures	7,356,732	--	132,713	(715,12)	6,774,325
Leasehold improvements	56,540	--	16,335	--	72,875
Construction in progress	19,096,810	(23,982,551)	17,747,920	(9,360)	12,852,819
	235,907,919	--	**18,113,954**	**(1,834,430)**	**252,187,443**

Less: Accumulated depreciation	1 January 2011	Charge for the period	Disposals	31 December 2011
Land improvements	(2,676,516)	(162,957)	--	(2,839,473)
Buildings	(19,717,115)	(1,069,041)	4,427	(20,781,729)
Machinery and equipment	(138,581,282)	(10,399,061)	991,552	147,988,791
Furniture and fixtures	(6,757,204)	(238,990)	699,776	(6,296,418)
Leasehold improvements	(45,200)	(6,429)	--	(51,629)
Total accumulated depreciation	**(167,777,317)**	**(11,876,478)**	**1,696,755**	**(177,958,040)**
Net book value	**68,130,602**			**74,229,403**

10 INTANGIBLE ASSETS

For the year ended 31 December 2012, movement in the intangible assets comprised the following:

Cost	1 January 2011	Additions	31 December 2011
Software rights	792,457	5.755	798.212
	792,457	**5.755**	**798.212**

Less: Accumulated amortization	1 January 2011	Charge for the period	31 December 2011
Software rights	(705,695)	(41,891)	(747,586)
Total accumulated amortization	**(705,695)**	**(41,891)**	**(747,586)**
Net book value	**86,762**		**50,626**

For the year ended 31 December 2011, movement in the intangible assets comprised the following:

Cost	1 January 2011	Additions	31 December 2011
Software rights	708,673	83,784	792,457
	708,673	**83,784**	**792,457**

Less: Accumulated amortization	1 January 2011	Charge for the period	31 December 2011
Software rights	(663,638)	(42,057)	(705,695)
Total accumulated amortization	**(663,638)**	**(42,057)**	**(705,695)**
Net book value	**45,035**		**86,762**

Amount expressed in Turkish Lira (“TL”) unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.

10 INTANGIBLE ASSETS *(CONTINUED)*

For the year ended 31 December 2012, amortization expenses amounting to TL 41,891 (31 December 2011: TL 42,057) have been included in administrative expenses.

At 31 December 2012 and 2011, the Company utilizes intangible assets which have nil net book value on its accounts (31 December 2012 Cost: TL 696,241, Amortization: TL 696,241; 31 December 2011 Cost: TL 610,865, Amortization: TL 610,865).

11 ACCRUED LIABILITIES

At 31 December 2012 and 2011, short-term provisions are comprised the following:

	2012	**2011**
Provisions for personnel premium (*)	2,199,286	2,210,334
Other administrative expense accruals (**)	831.825	645,099
Miscellaneous provisions for expenses	223,394	112,735
Provisions for litigations	25,872	30,947
	3,280,377	**2,999,115**

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

	1 January 2012	***Additions***	***Payments***	***Reversal***	**31 December *2012***
Provisions for personnel premium(*)	2,210,334	2,199,286	(2,210,334)	--	2,199,286
Other administrative expense accruals (**)	645,099	831,825	(645,099)	--	831,825
Miscellaneous provisions for expenses	112,735	11,548,799	(8,059,834)	(3,378,306)	223,394
Provisions for litigations	30,947		(5,075)	--	25,872
	2,999,115	**14,579,910**	**10,920,342**	**3,378,306**	**3,280,377**

For year ended 31 December 2011, the movement of provisions is as follows:

	1 January 2011	***Additions***	***Payments***	***Reversal***	***31 December 2011***
Provisions for personnel premium(*)	1,872,256	2,210,334	(1,872,256)	--	2,210,334
Other administrative expense accruals (**)	456,622	645,099	(456,622)	--	645,099
Miscellaneous provisions for expenses	--	14,471,651	(6,414,071)	(7,944,845)	112,735
Provisions for litigations	30,947	--	--	--	30,947
	2,359,825	**17,327,084**	**(8,742,949)**	**(7,944,846)**	**2,999,115**

(*) Provisions for personnel premium are the bonus premiums that are determined according to performance criteria by İzocam’s Board of Directors.

(**) Other administrative expense accruals are comprised natural gas expense provisions**.**

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

12 COMMITMENTS

According to the decision of CMB on 29 September 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party's debts,

The commitments given;

For companies other than publicly owned associations and financial institutions;

i) For their own corporate identities

ii) In favor of fully consolidated associations

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

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

At 31 December 2012 and 2011 commitments given are as follows:

	2012	**2011**
A Commitments given in the name of own legal Entity	15,191,195	7,511,195
B Commitments given in favor of full consolidated Subsidiaries	--	--
C Commitments given to guarantee the debts of third parties to continue their operations	--	--
D Other commitments given;		
- in favor of parent company	--	--
- in favor of group companies other than mentioned in bullets B and C	--	--
- in favor of group companies other than mentioned in bullets B and C	--	--
Total	**15,191,195**	**7,511,195**

At 31 December 2012 and 2011, 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.

At 31 December 2012 and 2011, non-cancellable operating lease rentals are payable as follows:

	2012	**2011**
1. year	219,534	679,122
2. year	--	228,131
	219,534	**907,253**

As at 31 December 2012, loan limits and terms to maturities have been determined by associate banks to the customers who have been included in DBS system.

The Company has accepted that it has right to recall the loans which have been granted to customers that who have not been performing regular loan repayment and customers who have been regularly making payment at a level of credit limit for the 30 days period.

The Company has accepted that if the loans in question are not closed within the specified period, the Company accepted that the Banks have right to engage legal proceedings for related customer.

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

13 EMPLOYEE BENEFITS

At 31 December 2012 **and 2011**, employee benefits comprised the followings:

	2012	**2011**
Provision for employee severance indemnity	6,059,796	4,120,567
Long term portion of vacation pay liability	1,534,227	1,343,874
Long term portion of employee benefit	**7,594,023**	**5,464,441**
Short term portion of vacation pay liability	95,570	79,885
	7,689,593	**5,544,326**

Provision for employee severance indemnity has been set as follows:

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

The severance pay is calculated as one month gross salary for every employment year and as at 31 December 2012 the ceiling amount has been limited to TL 3,033.98 (31 December 2011: TL 2,731,.85).

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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

	2012	**2011**
Discount rate %	2.38	3.91
Turnover rate to estimate the probability of retirement %		
Age range 18 - 24	12	20
Age range 25 – 29	7	4
Age range 30 – 39	3	3
Age range 40 – 44	1	--
Age range 45 – 49	1	--
Age range 50 – 69	1	4

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

The movement of employee severance indemnity is as follows:

	2012	**2011**
Opening balance	4,120,567	2,885,184
Interest cost	329,721	131,847
Cost of services	528,492	304,837
Payments made during the period	(1,018,972)	(638,102)
Actuarial difference	2,099,988	1,436,801
Ending balance	**6,059,796**	**4,120,567**

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

13 EMPLOYEE BENEFITS *(CONTINUED)*

Actuarial difference arises from the changes in interest rates and changes in expectations about the salary increases. In addition to that, the number of employees that receive their indemnity before retirement increased the difference. Actuarial differences are recorded as incurred. As at 31 December 2012, interest cost portion is recorded as finance expense where as cost of services and actuarial difference portions are recorded as general administrative expenses.

The movement of vacation pay liability for the years as at 31 December is as follows:

	2012	**2011**
Opening balance	1,423,759	1,180,328
Additions during the period	332,184	488,750
Reversal	(126,146)	(245,319)
Ending balance	**1,629,797**	**1,423,759**

14 OTHER ASSETS AND LIABILITIES

14.1 Other Current Assets

At 31 December 2012 **and 2011**, other current assets comprised the following:

	2012	**2011**
Advances given for fixed asset (*)	2,893,740	155,090
Deferred value added tax ("VAT")	872,611	--
Prepaid expenses	545,762	110,406
VAT for export receivables	205,380	127,500
Advances given for inventory	79,858	16,940
Advances given to personnel	14,705	5,721
Job advances	5,281	18,128
Other	218,730	76,669
	4,836,067	**510,454**

(*) At 31 December 2012, advances given for fixed asset represents the advance amount that has been given for fixed assets related with the new factory that will be built in ‘‘Kocaeli-Gebze V (Kimya) Organize Sanayi Bölgesi’’.

14.2 Other Non-Current Assets

At 31 December 2012, non-current assets amounting to TL 873 (31 December 2011: TL 1,824) comprised long term portion of prepaid assets.

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

14.3 Other Short-Term Liabilities

At 31 December 2012 and 2011, other short-term liabilities comprised the following:

	2012	**2011**
Withholding taxes and duties	1,617,183	1,603,653
Social security premium payable	450,436	808,210
VAT Payable – "As Responsible Party"	253,388	175,049
Retirement pension plan payables	90,768	85,483
VAT Payable – "As Tax-Payer"		1,182,326
Other	7,894	7,190
	2,419,669	**3,861,922**

15 EQUITY

15.1 Paid-in Capital / Inflation Adjustment on Capital

At 31 December 2012, the paid-in capital of the Company comprises of 2,453,414,335 shares issued (31 December 2011: 2,453,414,335 shares of kr 1 each) of kr 1 each. There are no privileges given to different groups or shareholders. The shareholder structure of the Company is as follows:

	2012		**2011**	
	Shares	**Ownership interest %**	**Shares**	**Ownership interest %**
İzocam Holding	15,004,304	61.16	15,004,304	61.16
İzocam Holding (Publicly traded)	8,320,173	33.91	8,320,173	33.91
Other (Publicly traded)	1,209,666	4.93	1,209,666	4.93
	24,534,143	**100.00**	**24,534,143**	**100.00**
Inflation Adjustment on Capital	25,856,460		25,856,460	
	50,390,603		**50,390,603**	

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

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

15.2 Other Equity Items

In accordance with the Communiqué No: XI-29 issued on 9 April 2008 in the Official Gazette; 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, where as 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.

Equity items are presented at their nominal values in the financial statements. The inflation effect on those equity items are as follows:

31 December 2012	**Nominal value**	**Inflation adjustment**	**Restated values**
Share premiums	1,092	223,408	224,500
Restricted reserves	29,982,894	23,641,953	53,624,847
Legal reserves	*29,982,848*	*18,710,928*	*48,693,776*
Special reserves(*)	*46*	*4,931,025*	*4,931,071*
Extraordinary reserves	21,263,482	(1,496,872)	19,766,610
	51,247,468	**22,368,489**	**73,615,957**

31 December 2011	**Nominal value**	**Inflation adjustment**	**Restated values**
Share premiums	1,092	223,408	224,500
Restricted reserves	27,105,565	23,641,953	50,747,518
Legal reserves	*27,105,519*	*18,710,928*	*45,816,447*
Special reserves(*)	*46*	*4,931,025*	*4,931,071*
Extraordinary reserves	19,516,370	(1,496,872)	18,019,498
	46,623,027	**22,368,489**	**68,991,516**

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

15 EQUITY *(CONTINUED)*

15.2 Other Equity Items *(Continued)*

Extraordinary reserves have been presented under retained earnings in accordance with Communiqué No: XI-29.

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

15.3 Dividend Distribution

The legal reserves consist of first and second legal reserves in accordance to the Turkish Commercial Code ("TCC"). The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Company's statutory accounts until it reaches 20 percent of paid-in share capital. Second legal reserves are generated by annual appropriations of 1/10 of dividend distributions, in excess of 5 percent of paid-in capital if the dividend distribution is made in accordance with CMB Regulations. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5 percent of paid-in capitals are to be appropriated. First and second level legal reserves shall not be distributed unless they exceed 50% of paid-in capital but they can be utilized to offset losses under conditions where all voluntary reserves have already been used by the company. At 31 December 2012, legal reserves of the Company amount to TL 29,982,848 (31 December 2011: TL 27,105,519).

According to the decision of CMB on 25 February 2009 numbered 7/242 the net amount of distributable profit that is calculated per CMB's minimum profit distribution requirements will be wholly distributed if met by the net distributable profit of statutory records, if the amount per CMB is not met by statutory records, the amount to be distributed will be limited to the amount at the statutory records. If losses are incurred in either of CMB or statutory financial statements, no profit will be distributed.

In chapter 1 of 2010/4 weekly bulletin of CMB, to determine the principles of dividend obtained from 2008 operations of corporations coated to stock exchange market, it is stated that;

*For corporations traded at stock exchange market, there is not a determined minimum portion of distribution; in this aspect the profit to be distributed will be determined in line with the announcements of CMB Serial IV, Number 27, the articles of the incorporation and will be in accordance with the declarations made to public.

*For corporations that is obliged to issue consolidated financial statements, as long as met from the statutory profit; it is permitted to calculate the net distributable profit in line with the CMB's Serial XI, Number 29 "Bases for Financial Reporting at Capital Markets" announcement which is also the profit declared at the consolidated financial statements.

*The Corporation shall disclosure statutory current year profit after previous year losses deducted and total amount of other resources made object of dividend in financial statements prepared in accordance with CMB Communiqué serial: XI Number: 29.

* For corporations traded at stock exchange market, when it is decided to distribute profits at the board of directors meeting and will be proposed to the general assembly of the company, or when profit distribution is decided at the general assembly of the direct partnerships; correspondent to that decision in accordance with the announcement of CMB's Serial VIII, Number 54 "Bases for the Declaration of Special Situations", in the appendix of special situation announcement, the profit distribution tables of the Profit Distribution Preparation Guideline will also be declared.

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

15 EQUITY *(CONTINUED)*

15.3 Dividend Distribution *(Continued)*

As at 31 December 2012 **and 2011**, according to the matters above the equity accounts of the Company per CMB's announcement Serial XI, Number 29 are:

	2012	**2011**
Paid-in capital	24,534,143	24,534,143
Inflation adjustment on capital	25,856,460	25,856,460
Restricted reserves		
Legal reserves	29,982,848	27,105,519
Special reserves	46	46
Inflation adjustment on legal reserves	18,710,928	18,710,928
Extraordinary reserves	19,976,604	18,229,492
Special reserves	4,931,025	4,931,025
Inflation adjustment on share premium	223,408	223,408
Share premium	1,092	1,092
Net Profit	24,061,794	34,624,441
	148,278,348	**154,216,554**

In the ordinary general assembly held on 26 March 2012, it has been decided that TL 34,624,441 of the Company's net profit as at 31 December 2011 amounting to TL 30,000,000 would be distributed as cash dividend. Additionally TL 2,877,329 will be transferred to second legal reserves. At 31 December 2012, TL 30,000,000 of TL 29,988,760 total dividend has been paid.

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

16 SALES AND COST OF SALES

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

	2012	2011
Domestic sales	278,238,445	250,929,843
Export sales	58,908,369	52,647,528
Other	399,039	151,551
Gross sales	337,545,853	303,728,922
Less: Sales returns and discounts	(19,253,368)	(17,297,589)
Net sales	318,663,802	286,431,333
Less: Cost of sales	(239,176,488)	(204,988,643)
Gross profit	**79,115,997**	**81,442,690**

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

	2012	2011
Raw materials consumables used	215,893,393	180,527,982
Personnel expenses	16,357,685	15,237,629
Depreciation	8,423,218	10,100,683
Changes in inventories	(1,497,808)	(877,651)
Cost of Sales	**239,176,488**	**204,988,643**

17 SELLING, MARKETING AND DISTRIBUTION EXPENSES

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

	2012	2011
Freight insurance expenses	19,711,625	15,669,684
Wages and salaries	6,272,173	5,621,676
License expenses	2,661,854	2,648,522
Storage expenses	1,766,252	1,440,712
Advertisement expense	1,305,419	940,034
Dealer expenses	1,092,614	888,116
Sales commissions	813,067	1,129,308
Transportation expenses	772,386	739,478
Guarantee letter expenses	510,481	608,245
Travel expenses	362,412	265,646
Exhibition and fair expenses	357,055	423,923
Public relations expenses	204,871	268,566
Rent expenses	156,159	149,896
Other	537,734	665,443
	36,524,102	**31,459,249**

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

18 ADMINISTRATIVE EXPENSES

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

	2012	2011
Personnel expenses	8,712,998	7,134,326
IT Expenses	443,266	504,857
Transportation expenses	378,397	358,024
Repair, maintenance and energy	275,312	191,425
Consultancy expenses	257,680	261,491
Communication expenses	213,571	240,942
Depreciation and amortization (Note 9 and 10)	199,399	214,049
Representation expenses	194,368	156,719
Duties, taxes and levies	156,068	178,923
Litigation costs	142,040	133,431
Subscription fees	137,513	217,173
Travel expenses	87,564	94,344
Insurance expenses	70,906	44,331
Stationary expenses	64,704	50,764
General assembly expenses	51,541	23,366
Donations (*)	10,356	65,595
Other	1,183,938	890,268
	12,579,621	**10,760,028**

(*) For the year ended 31 December 2012, the amount of donations given to associations and charitable foundations is amounting to TL 10,356 (31 December 2011: 65,395).

19 EXPENSES BY NATURE

For the years ended 31 December, nature of expenses are disclosed in Notes 9, 10, 16, 17, 18, 20, 22 and 23.

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

	2012	2011
Additional salaries	16,513,716	15,385,106
Salaries	12,815,272	11,514,819
Severance pay	2,013,868	1,093,706
	31,342,856	**27,993,631**

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

20 OTHER OPERATING INCOME/EXPENSE

20.1 Other Operating Income

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

	2012	2011
Other operating income (*)	85,676	68,379
Collections from insurance contracts	44,540	54,229
Other provisions no longer required	5,075	26,151
Gain on sale of property, plant and equipment	--	57,181
Collections from doubtful receivables	--	1,905
	135,291	**203,345**

20.2 Other Operating Expense

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

	2012	2011
Non-operating expenses	972,261	--
Provision for doubtful receivables	125,523	24,020
Loss on sale of property, plant and equipment	89,235	29,511
Other (*)	70,707	21,591
	1,257,726	**75,122**

(*) Other consists of expenses related to certificates of insolvency during previous periods; late charges and expenses related to sales and commission accruals that were not fully accrued,

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

21 FINANCE INCOME

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

	2012	2011
Interest income on sales on credit terms	4,403,045	3,708,877
Interest income on time deposits	258,239	672,462
Foreign exchane gains	--	189,872
	4,661,284	**4,571,211**

22 FINANCE EXPENSE

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

	2012	2011
Interest expense on borrowings	1,803,118	473,315
Foreign exchange losses	1,064,159	--
Actuarial interest cost	329,721	131,847
	3,196,998	**605,162**

23 TAX ASSETS AND LIABILITIES

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

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

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

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20 percent on their corporate income, 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,

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

23 TAX ASSETS AND LIABILITIES *(CONTINUED)*

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

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

According to the article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing" and the Transfer Pricing Communiqué No,1 which *regulate the transfer pricing rules; Taxpayers, who* file their corporate tax returns at the "VIP Taxpayers' Tax Office" are required to prepare an annual transfer pricing report for domestic and international related party transactions, Other corporate taxpayers are required to prepare transfer pricing report only for their international related party transactions, The communiqué states that documentation should be prepared by corporate tax return submission date, and it should be submitted to the tax authorities upon their request,

The Company files corporate tax returns at the "VIP Taxpayers' Tax Office" and is required to prepare an annual transfer pricing report for domestic and international related party transactions by corporate tax return submission date, However, the Company has not finalized the transfer pricing report as at reporting date,

At 31 December, total tax liability comprised the following:

	2012	**2011**
Corporate tax provision	5,936,077	9,911,243
Prepaid tax	(4,015,128)	(7,060,182)
Total	1,920,949	2,851,061
Deferred tax asset / (liability)	322,128	(34,126)
	2,243,077	**2,816,935**

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

	2011	**2011**
Current tax	(5,936,077)	(9,911,243)
Deferred tax debit	(356,254)	1,217,999
	(6,292,331)	**(8,693,244)**

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

	2012	**%**	**2011**	**%**
Profit before tax	30,354,125		43,317,685	
Tax rate	20		20,00	
Taxes on reported profit per statutory tax rate	(6,070,825)	(20,00)	(8,663,537)	(20,00)
Disallowable expenses	(221,506)	0,7	(39,745)	(0,09)
Other	--	--	3,849	0,02
Tax provision	**(6,292,331)**	**(20,07)**	**(8,693,244)**	**(20,07)**

Amount expressed in Turkish Lira (“TL”) unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.

23 TAX ASSETS AND LIABILITIES *(CONTINUED)*

23.1 Deferred Tax Assets and Liabilities

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

The Company recognizes deferred tax assets in the financial statements by taking into consideration the factors such as the developments in the sector that the Company is operating, taxable income in the forthcoming years, Turkey’s general economic and political situation, and/or global economic and political situations, The Company expects to generate taxable income in the forthcoming years and considers Turkey’s economic and political situation shows clear positive developments, Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in the forthcoming years under the balance sheet method using a principal tax rate of 20 percent (2011: 20 percent),

Deferred tax assets and deferred tax liabilities at 31 December 2012 and 2011 were attributable to the items detailed in the table below:

	2012		2011	
	Deferred tax		Deferred tax	
	assets	liabilities	assets	liabilities
Employee severance indemnity	1,211,959	--	824,113	--
Vacation pay liability	325,959	--	284,752	--
Unrecognized interest expense	52,439	--	96,110	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(1,755,677)	--	(1,039,004)
Others	30,407	(187,215)	--	(131,845)
	1,620,764	**(1,942,892)**	**1,204,975**	**(1,170,849)**
Offsetting	**(1,620,764)**	**1,620,764**	**(1,170,849)**	**1,170,849**
	--	**(322,128)**	**34,126**	**--**

The movement of deferred tax assets and liabilities is as follow:

	1 January 2011	Profit or (loss)	31 December 2011	Profit or (loss)	31 December 2012
Employee severance indemnity	577,037	247,076	824,113	387,846	1,211,959
Vacation pay liability	236,066	48,686	284,752	41,207	325,959
Unrecognized interest expense	37,456	58,654	96,110	(43,671)	52,439
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(2,034,432)	995,428	(1,039,004)	(716,673)	(1,755,677)
Other	--	(131,845)	(131,845)	(24,963)	(156,808)
	(1,183,873)	**1,217,999**	**34,126**	**(356,254)**	**(322,128)**

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

24 EARNINGS PER SHARE

Earnings per share is computed by dividing the net profit for the year ended 31 December 2012 amounting to TL 24,061,794 (31 December 2011: TL 34,624,441) to the weighted average of the shares during these periods,

	2012	**2011**
Net Profit	24,061,794	34,624,441
Number of weighted average of ordinary shares	2,453,414,335	2,453,414,335
Earnings per share (Kr per share)	0,00981	0,01411

25 RELATED PARTIES

25.1 Due from Related Parties

At December 2012 and 2011, due from related parties comprised the following:

	2012	**2011**
Saint-Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret Anonim Şirketi ("Saint-Gobain Weber")	1,428,016	1,091,960
Saint Gobain Recherche ("SG Recherche")	42,277	33,313
Saint-Gobain Isover CRIR	37,523	--
Saint-Gobain Rigips Alçı Sanayi ve Ticaret Anonim Şirketi ("SG Rigips")	15,707	--
Saint Gobain Isover Italia S,P,A, ("SG Isover Italia")	12,215	17,377
Kuwait Insulating Material MFG CO, ("KIMCO")	3,574	--
Alghanim Industries Corporate Office ("AICO")	2,236	--
Saint-Gobain Gradevınskı Proızvodı d,o,o, ("SG GP")	--	33,004
	1,541,548	**1,175,654**

As at 31 December 2012 there are collaterals taken from related parties amounting to TL 7,761 (31 December 2011: TL 25,574),

25.2 Due to Related Parties

At 31 December 2012 and 2011, due to related parties comprised the following:

	2012	**2011**
Saint Gobain Isover (Royalite)	146,505	263,533
Grunzweig Hartman AG ("Grunzweig")	144,538	148,084
Saint Gobain Glass Italia S,P,A,("SG Glass Italia")	--	2,874
Other	99,359	89,963
	390,402	**504,454**

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

25 RELATED PARTIES *(CONTINUED)*

25.3 Sales to Related Parties

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

	2012	2011
Saint Gobain Weber Markem	6,391,165	7,453,547
KIMCO,	199,150	24,945
SG GP	164,542	33,004
Saint-Gobain Savoie Refractaires	108,328	--
Isover Ireland	44,772	--
SG Isover Italya,	44,206	108,632
Saint Gobain Recherche	20,773	32,856
SG Rigips	13,645	233
AICO	2,251	--
Saint Gobain Hellas Abee	--	15,428
Saint Gobain Isover	--	1,004
	6,988,832	**7,669,649**

25.4 Purchases from Related Parties

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

	2012	2011
Saint Gobain Weber Markem	2,392,272	4,924,062
Saint Gobain Isover (Royalite)	1,144,476	1,108,487
Grunzweig (Royalite)	836,278	852,480
Saint Gobain - İsover (Almanya)	347,918	17,419
KIMCO,	57,354	--
SG Rigips	13,180	3,003
SG Recherche	11,007	--
Saint-Gobain Isover France	5,477	--
SG Glass Italia	1,524	7,028
Saint-Gobain Isover SA	1,454	--
Saint Gobain Isover Austria GmbH	--	5,727
Saint Gobain Weber Markem	--	527
	4,810,940	**6,918,733**

25.5 Other Transaction with Related Parties

For years ended 31 December 2012 and 2011, other transactions with related parties comprised the following:

	31 December 2012	31 December 2011
Dividends paid		
İzocam Holding	28,520,924	27,278,769
Central Record Institution ("CRI")	1,467,836	1,403,744
Other(*)	11,240	16
	30,000,000	**28,682,529**

(*) At 31 December 2012, dividends to other parties balance of TL 11,240 has not been paid and remains as a payable on the balance sheet

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

25 RELATED PARTIES *(CONTINUED)*

25.6 Remuneration to Top Management

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

	2012	2011
Short term benefits:		
(Salaries, premiums, housing, company cars, social securities, health insurance, vacation payments and etc,)	2,918,237	2,811,729
Other long term benefits:		
(Indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc,)	267,639	187,797
TOTAL	**3,185,876**	**2,999,526**

26 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

26.1 Financial Risk Management

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

27 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

26.1 Financial Risk Management

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

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

- requirements for appropriate segregation of duties, including the independent authorisation 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,

26.1.1 Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party, These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party, The ownership of financial assets is campaigned by the risk that the other party does not fulfill the contract, The management of the Company covers these risks by limiting the average risk for other party (except related parties) in all contracts and receiving guarantees if necessary, The Company works through agency system within Turkey to a great extent, The Company minimizes the collection risk by the guarantee letters taken from agencies, liens and commitment notes received before the sale and controls the orders of agencies out of guarantee by comparing these guarantees received from the agencies with their receivables, Additionally, the Company guarantees its receivables through direct borrowing system by the agreements of various banks, The Company is exposed to credit risk amounting to TL 8,828,415 (31 December 2011: TL 8,889,931) which is not covered by colleterals and DBS guarantees, Provisions made for doubtful receivables are within reasonable borders based on the past experiences of the Company in collection of accounts receivable, Therefore, the management does not foresee any additional risk relating to accounts receivable more than provisions made,

26 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

26.1 Financial Risk Management *(Continued)*

26.1.2 Liquidity risk

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

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

At 31 December 2012 the Company has guaranteed the receivables amounting to TL 101,133,150 (31 December 2011: TL 94,093,000) via Direct Borrowing System aiming to avoid liquidity risk, The Company has also obtained factoring loans amounting to TL 4,686,619 (31 December 2011: TL 5,233,090) and while making early collection; increases the liquidity position and avoids foreign exchange loss risk,

26.1.3 Market risk

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

Currency risk

The Company is exposed to currency risk due to its import transactions and borrowings in foreign currency. These transactions are held in USD and Euro. As of 26 January 2010, the Company has entered to factoring transactions in order to avoid currency risk. Therefore; the Company is able to collect its receivables before their maturities as TL.

Interest Rate Risk

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

26.2 Risk Management Disclosures

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

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

26 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

26.2.1 Interest rate risk

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

Fixed interest rate financial instruments		**2012**	**2011**
Cash and cash equivalents	Note 4	--	27,950,966
Bank borrowings	Note 5	14,476,383	5,233,090

26.2.2 Credit risk

Credit risk is diversified since there are many counterparties in the customer database, The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer, Approximately 8,71 percent of the Company's revenue is attributable to sales transactions with a single customer,

The geographical concentration of receivables excluding related parties exposed to the credit risk at 31 December 2012 and 31 December 2011 are as follow:

	2012	**2011**
1, and 5, District Offices (Marmara, West Black Sea Regions)	38,247,970	29,404,185
2, District Office (Central Anatolia, Middle Black Sea Regions)	15,245,022	19,910,702
3, District Office (South East Anatolia, East Anatolia, East Black Sea Regions)	11,233,532	7,447,001
4, District Office (Aegean and Mediterranean Sea Regions)	11,859,854	9,825,938
Middle East, Balkans, Africa and Others	5,066,579	4,781,106
	81,952,957	**71,368,932**

At 31 December 2012, the Company has a letter of guarantee amounting to TL 10,810,675 (31 December 2011:TL 16,555,596) mortgage amounting to TL 729,000 (31 December 2011: TL 2,254,000), Eximbank guarantee amounting to TL 13,213,744 (31 December 2011: TL 10,479,168), collaterals received as notes amounting to TL 831,874 (31 December 2011: TL 800,384) and direct borrowing system guarantees amounting to TL 101,133,150 (31 December 2011: TL 94,093,000), The Company does not have collaterals received as cash at 31 December 2012 (31 December 2011: nil),

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

26 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

26.2 Risk Management Disclosures *(Continued)*

26.2.2 Credit risk (continued)

	Receivables			
	Trade Receivables			
31 December 2012	**Related Party**	**Others**	**Deposits on Banks**	**Other (Commitments given)**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**1,541,548**	**81,952,957**	**891,811**	**15,191,195**
A, Net carrying value of financial assets which are neither impaired nor overdue	1,541,548	--	891,811	--
B, Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	75,042,519	--	--
C, Net carrying value of financial assets which are overdue but not impaired	--	6,910,438	--	--
-The portion covered by any guarantee	--	6,278,621	--	--
D, Net carrying value of impaired assets	--		--	--
-Past due (gross book value)	--	895,847	--	--
-Impairment (-)	--	(895,847)	--	--
-Covered portion of net book value (with letter of guarantee etc,)	--	--	--	--
E, Off balance sheet items with credit risks	--	--	--	15,191,195

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

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

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

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

26 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

26.2 Risk Management Disclosures *(Continued)*

26.2.2 Credit Risk (Continued)

For the period ended 31 December 2012 past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables	
31 December 2012	**Trade Receivables**	**Trade Receivables**
Past due 1-30 days	3,871,916	--
Past due 1-2 months	793,934	--
Past due 3-6 months	638,427	--
More than 6 months	1,606,161	--
The portion secured by guarantee**	6,278,621	--

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

	Receivables			
	Trade Receivables			
31 December 2011	**Related Party**	**Other Parties**	**Deposits on Banks**	**Other (Commitments given)**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**1,175,654**	**71,368,932**	**28,129,721**	**7,511,195**
A, Net carrying value of financial assets which are neither impaired nor overdue	1,175,654	64,186,711	28,129,721	--
B, Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	--	--	--
C, Net carrying value of financial assets which are overdue but not impaired	--	7,182,221	--	--
-The portion covered by any guarantee	--	6,221,575	--	--
D, Net carrying value of impaired assets	--		--	--
-Over due (gross book value)	--	1,126,452	--	--
-Impairment (-)	--	(1,126,452)	--	--
-Covered portion of net book value (with letter of guarantee etc,)	--	--	--	--
E, Off balance sheet items with credit risks	--	--	--	7,511,195

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

26 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

26.2 Risk Management Disclosures *(Continued)*

26.2.2 Credit risk (continued)

For the year ended 31 December 2011, past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables	
31 December 2011	**Trade Receivables**	**Other Receivables**
Past due 1-30 days	2,799,773	--
Past due 1-3 months	2,312,102	--
Past due 3-12 months	1,451,479	--
Past due 1-5 years	618,867	--
More than 5 years	--	--
The portion secured by guarantee**	6,221,575	--

** At 31 December 2012, the Company has guaranteed its receivables by letter of guarantee amounting to TL 297,043 (31 December 2011: TL 802,086), direct debit system guarantees amounting to TL 4,201,550 (31 December 2011: TL 4,234,994), mortgage amounting to TL 15,508 (31 December 2011: TL 83,740), Eximbank guarantee amounting to TL 1,764,519 (31 December 2011: TL 1,100,755), As at 31 December 2012, the Company does not have any cheque for guarantee (31 December 2011: None), As at 31 December 2012, the Company does not have notes for guarantee (31 December 2011: None), For the years ended 31 December 2012 and 31 December 2011 the Company has not utilized all these guarantees by means of collecting its receivable balances in cash terms,

26.2.3 Guarantees

In accordance with the Company policy, total guarantees given amounting to TL 15,191,195 (31 December 2011: TL 7,511,195) are given to custom offices, domestic suppliers, banks and tax offices,

26.2.4 Currency risk

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

As at 31 December 2012 and 31 December 2011, net position of the Company is resulted from foreign currency assets and liabilities:

26 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

26.2 Risk Management Disclosures *(Continued)*

26.2.4 Currency risk (continued)

FOREIGN CURRENCY POSITION						
	31 December 2012			31 December 2011		
	TL (Functional Currency)	USD	Euro	TL (Functional Currency)	USD	Euro
1,Trade receivables	14,,299,744	7,239,837	592,767	10,354,515	4,277,183	931,068
2, Monetary financial assets	462,628	235,808	17,977	12,276,159	4,200,000	1,777,060
3,Current Assets	**14,762,372**	**7,475,645**	**610,744**	**22,630,674**	**8,477,183**	**2,708,128**
4,Total Assets	**14,762,372**	**7,475,645**	**610,744**	**22,630,674**	**8,477,183**	**2,708,128**
5,Trade payables	(4,453,556)	(1,253,405)	(943,673)	(2,548,616)	(900,896)	(346,556)
6,Financial liabilities	(4,686,620)	(2,174,404)	(344,656)	(5,233,089)	(1,891,625)	(679,270)
7,Short-term Liabilities	**(9,140,176)**	**(3,427,809)**	**(1,288,329)**	**(7,781,705)**	**(2,792,521)**	**(1,025,826)**
8,Total Liabilities	**(9,140,176)**	**(3,427,809)**	**(1,288,329)**	**(7,781,705)**	**(2,792,521)**	**(1,025,826)**
Total	**5,622,196**	**4,047,836**	**(677,585)**	**14,848,969**	**5,684,662**	**1,682,302**

26 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

26.2 Risk Management Disclosures *(Continued)*

26.2.4 Currency risk *(continued)*

Currency Sensitivity Analysis		
31 December 2012		
USD: 1,7826		
EURO: 2,3517		
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL		
1-Net USD asset/liability	721,567	(721,567)
2-USD risk averse portion (-)	--	--
3-Net USD Effect (1+2)	721,567	(721,567)
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	(159,348)	159,348
5-Euro risk averse portion (-)	--	--
6- Net Euro Effect (4+5)	**(159,348)**	**159,348**
Assumption of devaluation/appreciation by 10% of other currencies against TL		
7-Other currency net asset/liability	--	--
8-Other currency risk averse portion (-)	--	--
9-Net other currency effect (7+8)	--	--
Total(3+6+9)	**562,220**	**(562,220)**

Currency Sensitivity Analysis		
31 December 2011		
USD: 1,8889		
EURO: 2,4438		
	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	1,073,776	(1,073,776)
2-USD risk averse portion (-)	--	--
3-Net USD Effect (1+2)	**1,073,776**	**(1,073,776)**
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	411,121	(411,121)
5-Euro risk averse portion (-)	--	--
6- Net Euro Effect (4+5)	**411,121**	**(411,121)**
Assumption of devaluation/appreciation by 10% of other currencies against TL		
7-Other currency net asset/liability	--	--
8-Other currency risk averse portion (-)	--	--
9-Net other currency effect (7+8)	--	--
Total(3+6+9)	**1,484,897**	**(1,484,897)**

26 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

26.2 Risk Management Disclosures *(Continued)*

26.2.4 Currency risk (continued)

For the periods ended 31 December 2012 and 31 December 2011, total import and export of the Company comprised the following:

	2012	2012
Total exports	58,908,369	52,647,528
Total imports	76,255,146	68,871,315

26.2.5 Liquidity risk

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

The below tables show the monetary liabilities of the Company according to their remaining maturities at 31 December 2012 and 31 December 2011:

	31 December 2012					
	Book Value	**Total contractual cash outflows**	**0-3 Months**	**3-12 Months**	**1-5 years**	**5 years And more**
FINANCIAL LIABILITIES						
Bank borrowings	14,476,383	14,476,383	14,476,383	--	--	--
Trade and other payables	27,464,673	27,464,673	27,464,673	--	--	--
Due to related parties	390,402	390,402	--	390,402	--	--
Other liabilities	98,662	98,662	98,662	--	--	--
Total monetary liabilities	**42,430,120**	**42,430,120**	**42,039,718**	**390,402**	--	--

	31 December 2011					
FINANCIAL LIABILITIES						
Bank borrowings	5,233,090	5,233,090	5,233,090	--	--	--
Trade and other payables	22,323,440	22,323,440	22,323,440	--	--	--
Due to related parties	504,454	504,454	--	504,454	--	--
Other liabilities	92,673	92,673	92,673	--	--	--
Total monetary liabilities	**28,153,657**	**28,153,657**	**27,649,203**	**504,454**	--	--

27 FINANCIAL INSTRUMENTS

Determination of Fair Values

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

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

Accounts receivable and payables

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

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

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

Fair values of financial liabilities

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

Other

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

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

During the Board of Directors meeting on 22 September 2012, the Company unanimously voted for the initiation of the sale process, commencement of selection and signing of an agreement as well as valuation for determining the fair values among the real estate valuation firm/firms from companies acknowledged by CMB in accordance with the scope of transaction for the factory and administrative buildings with a closed area of 16,610 squaremeters on the land with a total area of 20,987 squaremeters located on parcel no, 6433 included within the Tekiz Panel Facility and Sales Division at Yukarı Dudullu Mah,, 2,Bölge, Eriklipınar Açmalar Sokağı 30th Plot, Umraniye, Istanbul as a result of moving of Tekiz Panel Facility currently continuing its production activities at Dudullu Industrial Region to the new building at Gebkim Industrial Zone in 2013,

According to IFRS 5 "Non-Current Assets Held For Sale and Discontinued Operations", in order for an asset to be defined as "Assets Held For Sale", the asset (or sale group) should be available for immediate sale at its existing condition for similar assets under normal and customary terms and the sale condition is highly probable, The related classification on the financial statement was not made due to the fact that the respective asset was currently in use and continuing production at factory area resulting in the fact that sales transaction is not probable at balance sheet date,