İzocam Ticaret ve Sanayi
Anonim Şirketi

Convenience Translation into English of Financial Statements As at and For the Three-Month Period Ended 31 March 2012

3 May 2012
This report is 52 pages

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İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Financial Position as at and for the Three-Month Period Ended 31 March 2012

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

	Notes	Unaudited Current Period 31 March 2012	Audited Prior Period 31 December 2011
ASSETS			
Current Assets		**117,073,810**	**123,179,489**
Cash and Cash Equivalents	4	7,451,192	30,167,968
Trade Receivables	6	71,367,283	72,544,586
Due From Related Parties	*25*	*838,349*	*1,175,654*
Other Trade Receivable		*70,528,934*	*71,368,932*
Inventory	8	29,703,673	19,957,988
Other Current Assets	14	8,551,662	508,947
Non-Current Assets		**74,198,603**	**74,356,070**
Other Receivables	7	3,955	3,955
Property, Plant and Equipment	9	73,661,717	74,229,403
Intangible Assets	10	74,304	86,762
Other Non-Current Assets	14	245	1,824
Deffered Tax Asset	23	458,382	34,126
TOTAL ASSETS		**191,272,413**	**197,535,559**
LIABILITIES			
Short-Term Liabilities		**55,443,309**	**37,854,564**
Bank Borrowings	5	25,033,895	5,233,090
Trade Payable	6	24,566,412	22,827,894
Due To Related Parties	*25*	*735,934*	*504,454*
Other Trade Payable		*23,830,478*	*22,323,440*
Other Payables	7	4,408	1,597
Taxes on Income	23	1,786,281	2,851,061
Expense Accruals	11	2,113,422	2,999,115
Other Short-Term Liabilities	14	1,836,847	3,861,922
Employee Benefits	13	102,044	79,885
Long-Term Liabilities		**6,040,038**	**5,464,441**
Employee Benefits	13	6,040,038	5,464,441
CAPITAL AND RESERVES		**129,789,066**	**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		29,982,894	27,105,565
Retained Earnings		43,841,965	42,094,853
Net Profit For The Period		5,572,512	34,624,441
TOTAL LIABILITIES		**191,272,413**	**197,535,559**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Comprehensive Income as at and for the Three-Month Period Ended 31 March 2012

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

		Unaudited	
	Notes	**31 March 2012**	**31 March 2011**
Revenues	16	68,660,049	61,735,277
Cost of Sales (-)	16	(50,663,670)	(43,730,129)
GROSS PROFIT		**17,996,379**	**18,005,148**
Selling, Marketing and Distribution Expenses (-)	17	(8,399,752)	(7,567,649)
Administrative Expenses (-)	18	(3,550,264)	(2,785,087)
Other Operating Income	20	39,522	136,130
Other Operating Expense (-)	20	(16,898)	(74,137)
OPERATING PROFIT		**6,068,987**	**7,714,405**
Finance Income	21	1,445,178	1,145,285
Finance Costs (-)	22	(541,085)	(492,114)
PROFIT BEFORE TAX		**6,973,080**	**8,367,576**
Current Tax Expense	23	(1,824,824)	(2,012,715)
Deferred Tax Credit/(Charge)	23	424,256	333,081
NET PROFIT FOR THE PERIOD		**5,572,512**	**6,687,942**
EARNINGS PER SHARE ("Kr")		**0.00227**	**0.00273**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Changes in Equity as at and for the Three-Month Period Ended 31 March 2012

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

					Restricted Reserves					
	Notes	Capital	Inflation Adjustment on Capital	Share Premium	Legal Reserves	Special Reserves	Total	Retained Earnings	Net Profit for the Year	Capital
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**	--	--	--	--	--	--	--	6,687,942	6.687.942
Total comprehensive income		--	--	--	--	--	**2,746,680**	**28,816,178**	***6,687,942***	***6.687.942***
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 March 2011		**24.534.143**	**25,856,460**	**1,092**	**27,105,519**	**46**	**27,105,565**	**42,094,853**	**6,687,942**	**126,280,055**
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**	--	--	--	--	--	--	--	5,572,512	5.572.512
Total comprehensive income		--	--	--	--	--	--	--	**5,572,512**	**5.572.512**
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 March 2012		**24.534.143**	**25,856,460**	**1,092**	**29,982,848**	**46**	**29,982,894**	**43,841,965**	**5,572,512**	**129,789,066**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Cash Flows as at and for the Three-Month Period Ended 31 March 2012

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

	Note	Unaudited Current Period 31 March 2012	Unaudited Prior Period 31 March 2011
Cash flows from operating activities			
Net profit for the period		5,572,512	6,687,942
Adjustments to:			
Depreciation and amortization	9,10	3,071,985	2,864,212
Current tax expense	23	1,824,824	2,012,715
Deferred tax	23	(424,256)	(333,081)
Provision for employee severance indemnity	13	615,758	307,388
Provision for vacation pay liability	13	315,419	225,474
Finance income	21	(1,445,178)	(1,145,285)
Finance cost	22	222,242	302,139
Gain (losses) on sale of tangible assets-net	20	(73)	(42,924)
Other non-monetary provisions		2,871,082	945,612
Operating profit before changes in capital		**12,624,315**	**11,824,192**
Change in account receivables	6	873,002	(6,280,694)
Change in due from related parties	25	304,301	(485,867)
Change in blockage amount	4	179,644	994,196
Change in inventory	8	(9,745,685)	(8,441,611)
Change in other current assets	14	(4,041,436)	(2,749,082)
Change in accounts payable	6	1,507,038	3,004,809
Change in other non current assets		1,579	(2,036)
Change in due to related parties	25	219,996	339,912
Change in other payables		2,811	990
Change in other liabilities	14	(2,025,076)	(672,230)
Taxes paid		(2,889,604)	(1,647,477)
Interest paid		(175,989)	(48,035)
Employee severance indemnity paid	13	(379,675)	(158,751)
Provisions paid		(3,756,775)	(1,872,256)
Net cash from operating activities		**(7,301,554)**	**(6,193,940)**
Cash flows used in investing activities			
Acquisition of property, plant and equipment	9	(2,853,471)	(7,089,773)
Acquisition of intangible assets	10	--	(12,346)
Proceeds from sales of property, plant and equipment		361,705	142,837
Advances given for tangible assets	14	(4,001,279)	(1,139,486)
Investing activities		**(6,493,045)**	**(8,098,768)**
Financing activities			
Net change in financial liabilities		19,800,805	6,729,991
Dividend paid	15	(29,988,516)	(28,682,365)
Interest received, net		1,484,432	1,238,376
Cash flows used in financing activities		**(8,703,279)**	**(20,713,998)**
Change in cash and cash equivalents, net		(22,497,878)	(35,006,706)
Cash and cash equivalents at the beginning of the period		**28,877,690**	**35,386,144**
Cash and cash equivalents at the end of the period	**4**	**6,379,812**	**379,438**

The accompanying notes are an integral part of these financial statements

1 ORGANIZATION AND NATURE OF BUSINESS

İzocam Ticaret ve Sanayi Anonim Şirketi ("İzocam" 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 March 2012, by collection of shares traded on İstanbul Stock Exchange ("ISE") and collected shares of İzocam Holding Anonim Şirketi ("İzocam Holding") in İzocam have reached to 95.07 percent. Together with 1.501.330.396 shares representing 61.19 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 33.88 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 CMB and its shares are listed in ISE since 15 April 1981. As at 31 March 2012, 38.84 percent of the shares of Izocam are publicly traded at ISE.

As at 31 March 2012, the average number of employees of the Company is 433 (31 December 2011: 434) in which 189 (31 December 2011: 189) is comprised white collar employees and 244 (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 Liras (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 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").

In this context, the Company issued financial statements prepared in accordance with IFRS / IAS as of March 31, 2012.

Published in the Official Gazette and entered into force on November 2, 2011 by Decree No. 660 of Law No. 2499, which are among the organization an additional 1st TASB agent has been revoked and thePublic Oversight Accounting and Auditing Standards Board ("OversightAgency"), the Council of Ministers decided to establish. This is a temporary 1st of Decree Law According to the article published by thePublic 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.

Statement of financial position as of March 31, 2012 the Company issued, statement of comprehensive income for the year ended on that date, was approved by the Board of Directors on May 3, 2012. And legal authorities of the General Assembly has the power to modify the financial statements after the date of publication of 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 which are expressed with their fair values.

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 (Note 11, and Note 14).

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. Material changes in accounting policies or material errors (if any) are corrected, retrospectively; 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 in the current and also in future periods.

2.4 Changes in IFRS

2.1 Basis of Presentation *(Continued)*

2.4.1 New standards and interpretations adopted in 2011 that have no effect on the Company's financials

As at 31 March 2012, the International Accounting Standards Board (IASB) issued two narrow amendments to IFRS 1.

The first amendment replaces references to a fixed transition date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for annual periods beginning on or after 1 January 2011 and it is not expected to have any impact on the financial statements. The second amendment was explained under standards and interpretations that are not effective for year 2011.

IFRS 7 "Financial Instruments" is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial instruments. The amendment is effective for annual periods beginning on or after 1 January 2011 and it does not have any impact on the financial statements.

IFRIC 13 "Customer Loyalty Programmes - Fair Value of Award Credit" amended to state that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is effective for annual periods beginning on or after 1 January 2011 and it does not have any impact on the financial statements.

IAS 34 "Interim Financial Reporting - Significant Events and Transactions" A number of examples have been added to the list of events or transactions that require disclosure under IAS 34. The amendment is effective for annual periods beginning on or after 1 January 2011 and it does not have any impact on the financial statements.

The revised *IAS 24 "Related Party Disclosures"* amends the definition of a related party and modifies certain related party disclosure requirements government-related entities. The changes made to IAS 24 are:

- An exemption of limited disclosure requirements for transactions between a government-controlled reporting entity and an entity controlled by another government;
- New regulation for the definition of related party.

This limited disclosure requirement for related parties should be applied retrospectively in order to avoid ambiguity in the footnotes and should provide more clear information about the nature and extent of significant transactions with the government.

In addition, IASB agreed that the revised definition of "related party" should also be applied retrospectively from the reporting date. Furthermore, the Board agreed that an entity is permitted to adopt the partial exemption for government-controlled entities before the effective date even if the entity does not adopt the revised definition of related party until a later date. These amendments were effective for financial statements after 1 January 2011.

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

2.4 Changes in IFRS

2.4.1 New standards and interpretations adopted in 2011 that have no effect on the Company's financials (continued)

IAS 27 *"Consolidated and Separate Financial Statements – Transition requirements for amendments made as a result of IAS 27 (2008) to IAS 21, IAS 28 and IAS 31"* Consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures (as a result of prior amendments to IAS 27) to be applied prospectively, except for the amendments to IAS 28 and IAS 31 that solely are the result of renumbering in IAS 27 (2008). The new amendments are effective for annual periods beginning on or after 1 January 2011 with an option to early adopt.

2.4.2 New Standards and Interpretations Not Yet Adopted as at 31 March 2012

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 March 2012, and have not been applied in preparing these financial statements.

The International Accounting Standards Board (IASB) issued two narrow amendments to IFRS 1 on 20 December 2010. The first amendment is effective for 2011 and disclosed in "New standards and interpretations effective in 2011 and have no effect on the Company's financials".

The second amendment provides an additional requirement when financial statements are subject to severe hyperinflation for companies that have been presenting financial statements in accordance with IFRSs since prior periods. This requirement permits the use of fair value for estimated costs on the opening balances of statement of financial position. The amendment is effective for annual periods beginning on or after 1 July 2011 and it is not expected to have any impact on the financial statements.

The amendment in IFRS 7 "Financial Instruments" allows the users of financial statements to improve the general understanding of risks associated with the transfer of financial assets (for example, securitisations) and risks for transferring entity. Additional disclosures are required if a disproportionate transfer transactions exists the end of a reporting period. The amendment is effective for interim periods beginning on or after 1 July 2011 and it is not expected to have any impact on the financial statements.

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

With this project, financial reporting for financial assets was designated to be principle-based and less complex. With IFRS 9, which represents the first phase of the project, formation of principles regarding the reporting of financial assets, providing of relevant and useful information for readers of financial statements in order to conduct analyses on the determaination of any uncertainities, 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 valuate potential impact for the adoption of this statement.

The International Accounting Standards Board (IASB) has issued amendments to *IAS 12* "*Income Taxes"* as at 31 December 2010. The amendment provides an exception to the measurement values for income tax amounts on construction in progress amounts measured in fair value. In this rare case, it is known that measurement of deferred tax assets and liabilities is based on the possibility of recovery value for real estate held for investment through sale method. This possibility is not only applicable to the real estate investments subject to amortization and business models that will provide life time economic benefit to an asset.

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 March 2012 (continued)

The amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* introduce an exception to the general measurement requirements of IAS 12 *Income Taxes* in respect of investment properties measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2012. It is subjective and difficult to evaluate an asset's recovery value according to sale and use method when the asset is measured based on fair value method per IAS 40 "*Investment Property*".

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

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

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

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

IFRS 11 "Joint Arrangements" standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 "*Consolidated Financial Statements*" and IFRS 12 "*Disclosure of Interests in Other Entities*" should be also adopted early. The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The amendment will have no effect on the financial statements.

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. The amendment will have no effect on the financial statements.

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

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

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

2.4 Changes in IFRS

2.4.3. New Standards and Interpretations Not Yet Adopted as at 31 December 2011 (continued)

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.

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

IAS Investments in Associates and Joint Ventures (2011) replaces IAS 28 (2008) and is effective for annual periods on or after 1 January 2013.

2.5 Summary of Significant Accounting Policies

All disclosures described above have been applied properly during all reporting periods 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 balance sheet 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 derecognises 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 recognised 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 Group 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 Group 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 recognised 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 Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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 Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus 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, bank overdrafts, 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 contains 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 income and expense 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 capitalised. 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 the profit or loss on an accrual basis.

Depreciation

Depreciation is recognized on a straight-line basis over the useful lives of the property, plant and equipment from the date of acquisition or assembly. Leasehold improvements are depreciated on a straight-line basis over the lease term.

Machinery, plant and equipment items are depreciated by day installed and ready for use. The assets completed and built by the company, are depreciated when it becomes available.

If leased assets of the Company are not subject to taking on the ownership with reasonable assurance at the end of rental duration by the Company, rental duration and useful lives are depreciated over the shorter one.

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

Buildings and land improvements	5-50 years
Machinery and equipment	3-25 years
Leasehold improvements	5-6 years
Furniture and fixtures	3-15 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 date end 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

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Amortization

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

Rights 3-6 years

Amortization method, economic useful lives and residual values of tangible assets are revised at each reporting date end 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.

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

2.5 Significant Accounting Policies *(Continued)*

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 and held-to-maturity investment securities at both a specific asset and collective level. The assets, whichs Impairment alone are not material as a separate entity assets, shall be subject to impairment testing All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. 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 Group'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 recognised 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 recognised 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 recognised.

2.5.7 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. These premium payments are accrued at the financials as they incur.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.8 Provisions, contingent liabilities and contingent assets

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

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

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

2.5.9 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).

2.5.10 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.

2.5.11 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.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.12 Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax liability is recorded at the profit or loss disregarding 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 capitalization and depreciation method differences over tangible and intangible assets.

Deferred tax liabilities or 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 periods will be reversed. 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).

2.5.13 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.

2.5.14 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. As at the balance sheet date, if the evidence with respect to such events or such events has occurred after the balance sheet date and such events require restating the financial statements; accordingly the Company restates the financial statements appropriately. If such events do not require restating the financial statements, such events have been disclosed in the related notes.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.15 Expenses

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

2.5.16 Paid-in capital and dividends

Ordinary shares are classified as paid-in capital (Note 15). Additional costs directly attributable to common stock issued after deduction of the tax effect is recognized as a decrease in equity.Dividends distributed on ordinary shares are offset with retained earnings in the period in which they are declared.

2.5.17 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).

2.5.18 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.

2.5.20 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised 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 – Expense accruals

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

	2012	2011
Banks		
Time deposit	*5,904,181*	*27,950,966*
Demand deposit	*305,678*	*178,755*
Cheques at collection*	169,603	787,398
Cash at blockage**	1,069,698	1,249,342
Other cash equivalents	2,032	1,507
	7,451,192	**30,167,968**

*Cheques in collection are composed of the cheques which have not been transferred to the Company's accounts, with a maturity date as of 31st of March 2012 and 31 st of December 2011.

**As at 31 March 2012, cash and cash equivalents consist of cash at blockage amounting to TL 1,069,698 (31 December 2011: TL 1,249,342). 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 arrangaments 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 March 2012 and 31 December 2011, demand deposits comprised the following currencies (TL equivalents);

	2012	2011
TL	220,562	112,627
European Currency Unit (Euro)	67,387	66,128
American Dollar (USD)	17,729	--
	305,678	**178,755**

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

	2012	2011
TL	4,131,281	15,740,936
USD	1,772,900	7,933,380
EURO	--	4,276,650
	5,904,181	**27,950,966**

At 31 March 2012 ,time deposits are denominated in TL and USD and weighted average interest rates are 7.40 percent and 2.75 percent and which their maturity date are 1 April 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).

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.

4 CASH AND CASH EQUIVALENTS *(CONTINUED)*

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

	2012	2011
Banks		
Time deposit	*5,904,181*	--
Demand deposit	*305,678*	*178,003*
Cheques at collection	169,603	200,566
Other cash equivalents	1,071,730	1,240,574
Less: Interest accruals	(1,682)	--
Less: Cash at blockage	(1,069,698)	(1,239,705)
	6,379,812	**379,438**

5 BANK BORROWINGS

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

	31 March 2012	31 December 2011
Factoring loans	**4,378,037**	**5,233,090**
USD	3,513,880	3,573,091
Euro	864,157	1,659,999
Bank borrowings	**20,655,858**	**--**
USD	*10,637,400*	--
TL	*10,018,458*	--
	25,033,895	**5,233,090**

As at 31 March 2012, short term bank borrowings are factoring and bank credits. As at 31 March 2012, the Company has made factoring transactions in order to eliminate foreign currency risk for its foreign currency receivables. The factoring loan agreements are performed as revocable by which the Company undertakes the collection risk. As a result, the receivables and related factoring loans are kept at financials up to maturity.

6 ACCOUNTS RECEIVABLE AND PAYABLE

6.1 Short-Term Accounts Receivable

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

	31 March 2012	31 December 2011
Accounts receivable	60,802,252	61,192,477
Cheques receivable	10,565,031	11,352,109
Doubtful receivables	1,118,329	1,126,452
Less: Allowance for doubtful receivables	(1,118,329)	(1,126,452)
	71,367,283	**72,544,586**

At 31 March 2012, TL 838,349 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 87 days (31 December 2011: 88 days) which can change according to the seasonal effecs and the type of the product and the provisions of the agreement with the customer.

6 ACCOUNTS RECEIVABLE AND PAYABLE *(CONTINUED)*

6.1 Short-Term Accounts Receivable *(Continued)*

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

	31 March 2012	31 December 2011
0 - 30 days	3,864,616	5,338,047
31 - 60 days	3,452,094	2,843,633
61- 90 days	1,858,922	1,623,959
91 days and over	1,389,399	1,546,470
Total	**10,565,031**	**11,352,109**

At 31 March 2012 and 31 December 2011, the movement of allowance for doubtful receivables comprised the followings:

	31 March 2012	31 December 2011
Beginning balance	1,126,452	1,104,337
Provision for the year	--	24,020
Collections during the year	--	(1,905)
Write offs	(8,123)	--
Period end	**1,118,329**	**1,126,452**

6.2 Short-Term Accounts Payable

At 31 March 2012, short-term accounts payable amounts to TL 24,566,412 (31 December 2011: TL 22.827.894) arising from payable to various suppliers and the average payment period of trade payables is 30.3 days (31 December 2011: 30.9 days).

At 31 March 2012, TL 735,934 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 March 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 March 2012, short-term other payables amounting to TL 4,408 (31 December 2011: TL 1,597) comprised the other personnel payables.

8 INVENTORIES

As at 31 March 2012 and 31 December 2011, inventories comprised the following:

	31 March 2012	31 December 2011
Raw materials and supplies	21,938,859	13,485,796
Finished goods	7,040,371	5,926,183
Trading goods	723,063	546,009
Other Inventories	1,380	--
	29,703,673	**19,957,988**

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

9 PROPERTY, PLANT AND EQUIPMENT

At 31 March 2012 movement in the property, plant and equipment comprised the following:

Cost	1 January 2012	Transfer	Additions	Disposals	31March 2012
Land	6,241,411	--	--	--	6,241,411
Land improvements	4,627,353	--	--	--	4,627,353
Buildings	42,516,607	--	1,300	--	42,517,907
Machinery and equipment	179,102,053	100,874	115,780	--	179,318,707
Furniture and fixtures	6,774,325	--	76,873	(2,912)	6,848,286
Leasehold improvements	72,875	--	--	--	72,875
Construction in progress	12,852,819	(100,874)	2,659,518	(361,560)	15,049,903
	252,187,443	**--**	**2,853,471**	**(364,472)**	**254,676,442**

Less: Accumulated depreciation	1 January 2012	Charge for the period	Disposals	31 March 2012
Land improvements	(2,839,473)	(32,444)	--	(2,871,717)
Buildings	(20,781,730)	(260,588)	--	(21,042,318)
Machinery and equipment	(147,988,791)	(2,708,923)	--	(150,697,714)
Furniture and fixtures	(6,296,418)	(56,102)	2,843	(6,349,677)
Leasehold improvements	(51,629)	(1,670)	--	(53,299)
Total accumulated depreciation	**(177,958,041)**	**(3,059,527)**	**2,843**	**(181,014,725)**
Net book value	**74,229,403**			**73,661,717**

For the period ended 31 March 2012, depreciation expenses amounting to TL 2,507,236 (31 March 2011: TL 2,214,087) has been recognized under cost of sales, TL 39,987 (31 December 2011: TL 44,060) has been included under administrative expenses and TL 512,304 (31 December 2011: TL 596,748) has been capitalized on stocks and the rest of TL 944,578 has been included under cost of sales.

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

For the period ended 31 March 2012 and year ended 31 December 2011, the Company utilizes tangible assets which have nil net book value on its accounts. (31 March 2012 Cost: TL 114,604,260 Accumulated Depreciation: TL 114,604,260; 31 December 2011, Cost: TL 109,235,405 Accumulated Depreciation: TL 109,235,405).

9 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

At 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	(715,120)	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

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

Cost	1 January 2012	Additions	31 March 2012
Software rights	792,457	--	792,457
	792,457	--	**792,457**

Less: Accumulated amortization	1 January 2012	Charge for the period	31 March 2012
Software rights	(705,695)	--	(705,695)
Total accumulated amortization	**(705,695)**	**(12,458)**	**(718,151)**
Net book value	**86,762**	**--**	**74,304**

At 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**

10 INTANGIBLE ASSETS *(CONTINUED)*

At 31 March 2012, amortization expenses amounting to TL 12,458 (31 December 2011: TL 42,057) have been included in administrative expenses.

At 31 March 2012 and year ended 31 December 2011, the Company utilizes intangible assets which have nil net book value on its accounts (31 March 2012 Cost: TL 632,681, Amortization: TL 632,681; 31 December 2011 Cost: TL 610,865, Amortization: TL 610,865).

11 EXPENSE ACCRUAL

Short Term Provisions

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

	2012	**2011**
Personnel premium	766,572	2,210,334
Other expense accruals	1,015,705	645,099
DBS commission accruals	--	112,735
Sale and G&A accruals	300,198	--
Provisions for litigations	30,947	30,947
	2,113,422	**2,999,115**

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

	1 January 2012	*Additions*	*Payments*	**31 March 2012**
Personnel premium (*)	2,210,334	766,572	(2,210,334)	766,572
Other expense accruals (**)	645,099	1,015,705	(645,099)	1,015,705
DBS commission accruals	112,735	788,607	(901,342)	--
Sale and G&A accruals	--	300,198	--	300,198
Provisions for litigations	30,947	--	--	30,947
	2,999,115	**2,871,082**	**(3,756,775)**	**2,113,422**

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

	1 January 2011	*Additions*	*Payments*	*31 December 2011*
Personnel premium	1,872,256	2,210,334	(1,872,256)	2,210,334
Other expense accruals	456,622	645,099	(456,622)	645,099
DBS commission accruals	--	112,735	--	112,735
Provisions for litigations	30,947	--	--	30,947
	2,359,825	**2,968,168**	**(2,328,878)**	**2,999,115**

(*) Personnel premium amount is calculated according to performance criteras which are determined by Izocam Board of Members

(**) Other expense accruals comprised natural gas expense accrual, provision for various general administrative expenses**.**

In accordance with the decision of "Turkish Competition Board" meeting held at 8 February 2010 numbered 10 – 14, the Company was fined on administrative basis amounting to TL 1,317,714 due to the investigation in respect of the 4054 numbered Protection of Competition law's article 6. The Company has the right to claim against the decision. The administrative fine which is equal to 0.5 percent of gross revenue of 31 December 2008 has been recorded as provision in the financial statements as at 31 December 2009. The Company preferred to pay the fine with a 25 percent discount and paid amounting to TL 988,286 in cash, which represents 75 percent of TL 1,317,714 on 28 September 2010. This payment does not restrict the right to claim against the decision. The company, as a stay of execution of the Council of State and the trial court filed a lawsuit on the merits reversal. Stay of execution was rejected on 14.06.2011 and on the merits of the case still did not break.

12 COMMITMENTS

According to the decision of Capital Markets Board's ("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 March 2012 and 31 December 2011 commitments given are as follows:

	2012	2011
A Commitments given in the name of own legal Entity	8,110,070	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	**8,110,070**	**7,511,195**

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

	2012	2011
1. year	493,210	679,122
2. year	220,906	228,131
	714,116	**907,253**

As at 31 March 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.

13 EMPLOYEE BENEFITS

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

	31 March 2012	31 December 2011
Provision for employee severance indemnity	4,402,903	4,120,567
Long term portion of vacation pay liability	1,637,135	1,343,874
Long term portion of employee benefit	**6,040,038**	**5,464,441**
Short term portion of vacation pay liability	102,044	79,885
	6,142,082	**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 March 2012 the ceiling amount has been limited to TL 2,805.04 (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:

	31 March 2012	31 December 2011
Discount rate	4.17	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:

	31 March 2012	31 December 2011
Opening balance	4,120,567	2,885,184
Interest cost	46,253	131,847
Cost of services	84,179	304,837
Payments made during the period	(379,675)	(638,102)
Actuarial difference	531,579	1,436,801
Ending balance	**4,402,903**	**4,120,567**

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.

The movements of vacation pay liability for the years as at 31 March 2012 and 31 December 2011 is as follows:

	31 March 2012	31 December 2011
Opening balance	1,423,759	1,180,328
Additions during the period	315,419	488,750
Reversal	--	(245,319)
Ending balance	**1,739,178**	**1,423,759**

14 OTHER ASSETS AND LIABILITIES

14.1 Other Current Assets

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

	31 March 2012	31 December 2011
Advances given for fixed asset (*)	4,001,279	--
Advances given for inventory	2,364,867	172,030
Deductible VAT	1,045,044	1,750
Prepaid expenses	719,119	110,406
VAT for export receivables	210,476	127,500
Other receivables	171,460	73,348
Advances given to personnel	32,390	5,721
Advances given to suppliers	4,609	18,128
Other	2,418	64
	8,551,662	**508,947**

(*) At 31 March 2012, advances given for fixed asset represents the advance amount that has been given for fixed assets related with the factory construction in progress in Kocaeli- Gebze and investment of the stonewool production facilities in Tarsus and Eskişehir.

14.2 Other Non-Current Assets

At 31 March 2012, non-current assets amounting to TL 245 (31 December 2011: TL 1,824) comprised long term portion of prepaid assets.

14.3 Other Short-Term Liabilities

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

	31 March 2012	31 December 2011
Social security premium payable	840,979	808,210
Withholding taxes and duties	619,750	1,603,653
VAT payable	272,771	1,357,386
Retirement pension plan payables	95,599	85,483
Other	7,748	7,190
	1,836,847	**3,861,922**

15 EQUITY

15.1 Paid-in Capital / Inflation Adjustment on Capital

At 31 March 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:

	31 March 2012		31 December 2011	
	Shares	**Ownership interest %**	**Shares**	**Ownership interest %**
İzocam İzolasyon	15,004,304	61.16	15,004,304	61.16
İzocam İzolasyon (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.

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 March 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	21,263,477	(1,496,872)	19,766,605
	51,247,463	**22,368,489**	**73,615,952**
31 December 2011			
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

According to the Turkish Commercial Code ("TCC"), legal reserves are comprised first and legal reserves. 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. If the dividend distribution is made in accordance with Communiqué XI-29, a further 1/10 of dividend distributions, in excess of 5 percent of paid-in capital is to be appropriated to increase second legal reserves. 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 to increase second legal reserves. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital. At 31 March 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, and 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.

* 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.

15 EQUITY *(CONTINUED)*

15.3 Dividend Distribution *(Continued)*

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

	31 March 2012	**31 December 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	19,766,606	18,019,498
Special reserves	4,931,025	4,931,025
Inflation adjustment on share premium	223,408	223,408
Retained gains	209,998	209,994
Share premium	1,092	1,092
Net Profit	5,572,512	34,624,441
	129,789,066	**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 March 2012, TL 29,988,516 of TL 30,000,000 total dividend has been paid.

16 SALES AND COST OF SALES

For the three-month period ended 31 March, sales and cost of sales comprised the following:

	2012	**2011**
Domestic sales	57,902,138	54,345,502
Export sales	14,830,862	11,075,209
Other	63,386	22,996
Gross sales	**72,796,386**	**65,443,707**
Less: Sales returns and discounts	(4,136,337)	(3,708,430)
Net sales	**68,660,049**	**61,735,277**
Less: Cost of sales	(50,663,670)	(43,730,129)
Gross profit	**17,996,379**	**18,005,148**

For the three-month period ended 31 March, the nature of the cost of sales comprised the following:

	2012	**2011**
Raw materials consumables used	45,672,196	40,791,039
Personnel expenses	4,009,120	3,663,770
Depreciation	2,273,597	2,214,087
Changes in inventories	(1,291,243)	(2,938,767)
Cost of Sales	**50,663,670**	**43,730,129**

17 SELLING, MARKETING AND DISTRIBUTION EXPENSES

For the three-month period ended 31 March, selling, marketing and distribution expenses comprised the following:

	2012	2011
Freight insurance expenses	3,873,653	3,220,334
Wages and salaries	1,480,088	1,327,264
License expenses	967,626	857,758
Advertisement expense	646,950	646,950
Storage expenses	339,853	332,214
Dealer expenses	283,000	255,500
Sales commissions	207,715	164,447
Transportation expenses	171,128	193,586
Exhibition and fair expenses	90,000	82,531
Travel expenses	73,157	85,366
Rent expenses	44,168	71,750
Guarantee letter expenses	41,899	119,641
Public relation expenses	28,500	24,819
Sales research and development expenses	4,942	455
Other	147,073	185,034
	8,399,752	**7,567,649**

18 ADMINISTRATIVE EXPENSES

For the three-month period ended 31 March, administrative expenses comprised the following:

	2012	**2011**
Personnel expenses	2,353,657	1,708,168
IT Expenses	117,744	109,680
Transportation expenses	95,278	89,395
Consultancy expenses	76,658	76,061
Repair, maintenance and energy	62,667	49,704
Depreciation and amortization (Note 9 and 10)	52,445	53,377
Subscription fees	52,243	71,843
Communication expenses	46,267	47,344
Duties, taxes and levies	37,266	26,718
Insurance expenses	33,388	30,888
Travel expenses	28,006	23,955
Litigation costs	26,356	81,181
General assembly expenses	26,150	19,251
Representation expenses	17,679	39,411
Stationary expenses	17,662	12,775
Donations (*)	10,000	4,300
Other	496,798	341,036
	3,350,264	**2,785,087**

(*) For the years ended 31 March 2012, the amount of donations given to associations and charitable foundations is amounting to TL 10,000 and (31 March 2011: TL 4,300).

19 EXPENSES BY NATURE

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

20 OTHER OPERATING INCOME/EXPENSE

20.1 Other Operating Income

For the three month period ended 31 March, other operating income comprised the following:

	2012	2011
Other operating income (*)	38,736	19,252
Gain on sale of property, plant and equipment	--	56,531
Collections from insurance contracts	786	27,910
Other provisions no longer required	--	32,437
	39,522	**136,130**

(*) For the three month period ended 31 March 2012 other operating income is consist of year end inventory count excess and equipment and encourages participation fees for exhibition.

20.2 Other Operating Expense

For the three month period ended 31 March, other operating expense comprised the following:

	2012	2011
Provision for doubtful receivables	8,123	--
Loss on sale of property, plant and equipment	73	13,607
Scrap sales costs	--	38,591
Other	8,702	21,939
	16,898	**74,137**

21 FINANCE INCOME

For the three month period ended 31 March, finance income comprised the following:

	2012	**2011**
Interest income on time deposits	1,227,481	412,873
Interest income on sales on credit terms	217,697	732,412
	1,445,178	**1,145,285**

22 FINANCE EXPENSE

For the three month period ended 31 March, finance expense comprised the following:

	2012	**2011**
Interest expense on borrowings	318,843	189,975
Actuarial interest cost	175,989	48,035
Foreign exchange losses	46,253	254,104
	541,085	**492,114**

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.

23 TAX ASSETS AND LIABILITIES *(CONTINUED)*

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

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

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

At 31 March 2012 and 31 December 2011, total tax liability comprised the following:

	31 March 2012	**31 December 2011**
Corporate tax provision	1,824,824	9,911,243
Prepaid tax	(38,543)	(7,060,182)
Total	**1,786,281**	**2,851,061**
Deferred tax (assets) / liability	(458,382)	(34,126)
	1,327,899	**2,816,935**

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

	2012	**2011**
Current tax	(1,824,824)	(2,012,715)
Deferred tax debit	424,256	333,081
	(1,400,568)	**(1,679,634)**

The reported taxation charge for the years ended 31 March 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	6,973,080	--	8,367,576	--
Tax rate	20.00	--	20.00	--
Taxes on reported profit per statutory tax rate	(1,394,616)	(20.00)	(1,673,515)	(20.00)
Permenant difference	--	--		
Disallowable expenses	(6,288)	(0.09)	(6,115)	(0.07)
Tax effect of investment allowance	--	--	--	--
Other	336	--	(4)	--
Tax provision	**1,400,568**	**(20.09)**	**(1,679,634)**	**(20.07)**

23 TAX ASSETS AND LIABILITIES *(CONTINUED)*

23.1 Deferred Tax Assets and Liabilities

Deferred tax liabilities and assets are provided, using the balance sheet method 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 (2010: 20 percent).

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

	31 March 2012		31 December 2011	
	Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities
Employee severance indemnity	880,581	--	824,113	--
Vacation pay liability	347,836	--	284,752	--
Unrecognized interest expense	84,363	--	96,110	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(758,127)	--	(1,039,004)
Expense Accruals	6,189	--		
Depreciation on inventory	--	(102,460)	--	(131,845)
	1,318,969	(860,587)	1,204,975	(1,170,849)
Offsetting	(860,587)	860,587	(1,170,849)	1,170,849
	458,382	--	**34,126**	**--**

The movement of deferred tax liabilities is as follow:

	1 January 2011	Profit or (loss)	31 December 2011	Profit or (loss)	31 March 2012
Employee severance indemnity	577,037	247,077	824,114	56,467	880,581
Vacation pay liability	236,066	48,686	284,752	63,084	347,836
Unrecognized interest expense	37,455	58,654	96,109	(11,746)	84,363
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(1,889,473)	850,469	(1,039,004)	280,877	(758,127)
Expense Accruals	(144,958)	13,113	(131,845)	29,385	(102,460)
Depreciation on inventory	--	--	--	6,189	6,189
	(1,183,873)	**1,217,999**	**34,126**	**424,256**	**458,382**

24 EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the three month period ended 31 March 2012 amounting to TL 5,572,712 (31 March 2011: TL 6,687,942) to the weighted average of the shares during these periods.

	2012	**2011**
Net Profit	5,572,712	6,687,942
Number of weighted average of ordinary shares	2,453,414.335	2,453,414,335
Earnings per share (Kr per share)	0.00227	0.00273

25 RELATED PARTIES

25.1 Due from Related Parties

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

	31 March 2012	**31 December 2011**
Saint-Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret Anonim Şirketi ("Saint-Gobain Weber")	759,144	1,091,960
Saint Gobain Isover Italia S.P.A.	46,947	17,377
Saint Gobain Recherche	32,258	33,313
Saınt-Gobain Gradevınskı Proızvodı d.o.o.	--	33,004
Rigips Hellas S.A (Saint Gobain)	--	--
	838,349	**1,175,654**

As at 31 March 2012 there is no collaterals are taken from related parties (31 December 2011: TL 25,574).

25.2 Due To Related Parties

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

	31 March 2012	**31 December 2011**
Grunzweig Hartman AG ("Grunzweig")	326,852	263,533
Saint Gobain-İsover (Royalite)	306,094	148,084
Saint Gobain Glass Italia S.P.A.	1,543	2,874
Other	101,446	89,963
	753,935	**504,454**

25 RELATED PARTIES *(CONTINUED)*

25.3 Sales to Related Parties

For the three month period ended 31 March, significant sales to related parties comprised the following:

	2012	2011
Saint Gobain Weber Markem	827,405	1,328,080
Saint Gobain Isover Italya S.P.A.	44,206	59,058
Kuwait Insulating Material Mfg. Co.	6,994	--
Saint Gobain Glass Italia S.P.A	1,502	--
Saint-Gobain Gradevinski Proizvodi D.O.O.	--	15,428
	880,107	**1,402,566**

25.4 Purchases from Related Parties

For the three month period ended 31 March, purchases from related parties comprised the following:

	2012	2011
Grunzweig (Royalite)	408,565	359,735
Saint Gobain Weber Markem	406,377	630,861
Saint Gobain Isover (Almanya)	347,918	527
Saint Gobain - İsover (Royalite)	340,104	300,571
Saint-Gobain Glass İtalia	1,524	--
	1,504,488	**1,291,694**

25.5 Other Transaction with Related Parties

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

	31 March 2012	31 December 2011
Dividends paid		
İzocam Holding	28,520,837	27,278,769
Central Record Institution ("CRI")	1,467,680	1,403,744
Other(*)	11,483	16
	30,000,000	**28,682,529**

(*) TL 11,483 of the dividends distributed has not been paid as of 31 March 2012.

25 RELATED PARTIES *(CONTINUED)*

25.6 Remuneration to Top Management

For the years ended 31 March 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.)	378,462	343,173
Other long term benefits:		
(Indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	277,506	210,487
TOTAL	**655,968**	**553,660**

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.

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

26.1 Financial Risk Management

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses.

In this context, the Company has identified the following company procedures and internal control issues:

- 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 thorough agency system within Turkey domestic market 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 9,893,996 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 March 2012 the Company has guaranteed the receivables amounting to TL 99,025,000 via DBS aiming to avoid liquidity risk. The Company has also obtained factoring loans amounting to TL 4,378,037 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, Euro and Great Britain Pound.

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.

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		**31 March 2012**	**31 December 2011**
Cash and cash equivalents	Note 4	5,904,181	27,950,966
Bank borrowings	Note 5	4,378,037	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 9 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 March 2012 and 31 December 2011 are as follow:

	31 March 2012	**31 December 2011**
1-5 District Office (Marmara, West Black Sea Regions- South Marmara Region)	30,693,888	29,404,185
2. District Office (Central Anatolia, Middle Black Sea Regions)	15,235,656	19,910,702
4. District Office (Aegean and Mediterranean Sea Regions)	9,598,154	9,825,938
3. District Office (South East Anatolia, East Anatolia. East Black Sea Regions)	8,994,320	7,447,001
Middle East, Balkans. Africa and Others	6,006,916	4,781,107
	70,528,934	**71,368,933**

At 31 March 2012, the Company has a letter of guarantee amounting to TL 12,796,042 (31 December 2011: TL 16,556,596), mortgage amounting to TL 1,629,000 (31 December 2011: TL 2,254,000), Eximbank guarantee amounting to TL 12,337,810 (31 December 2011: TL 10,479,168), collaterals received as notes amounting to TL 834,248 (31 December 2011: TL 800,384) and direct borrowing system guarantees amounting to TL 99,025,000 (31 December 2011: TL 94,093,000). The Company does not have collaterals received as cash at 31 March 2012 (31 December 2011: TL None).

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

26.2 Risk Management Disclosures *(Continued)*

26.2.2 Credit risk (continued)

31 March 2012	Receivables – Trade Receivables – Related Party	Receivables – Trade Receivables – Others	Deposits on Banks	Other (Commitments given)
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**838,349**	**70,528,934**	**6,209,859**	**8,110,770**
A, Net carrying value of financial assets which are neither impaired nor overdue	**838,349**	**60,511,583**	**6,209,859**	**8,110,770**
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	--	10,017,351	--	--
-The portion covered by any guarantee	--	8,817,238	--	--
D, Net carrying value of impaired assets	--		--	--
-Past due (gross book value)	--	1,118,329	--	--
-Impairment (-)	--	(1,118,329)	--	--
-Covered portion of net book value (with letter of guarantee etc,)	--		--	--
E, Off balance sheet items with credit risks	--		--	--

* 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.

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 March 2012 past due but not impaired accounts receivables (except due from related parties) are as follows:

31 March 2012	31 December 2011 Trade Receivables	 Other Receivables
Past due 1-30 days	2,762,314	--
Past due 1-3 months	4,300,674	--
Past due 3-12 months	2,954,363	--
Past due 1-5 years	--	--
More than 5 years	--	--
The portion secured by guarantee*	8,817,238	--

* 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

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 March 2012, the Company has guaranteed its receivables by letter of guarantee amounting to TL 810,565 (31 December 2011: TL 802,086), direct debit system guarantees amounting to TL 7,121,580 (31 December 2011: TL 4,234,994), mortgage amounting to TL 7,724 (31 December 2011: TL 83,740), Eximbank guarantee amounting to TL 877,370 (31 December 2011: TL 1,100,755). As at 31 March 2012, the Company does not have any cheque for guarantee (31 December 2011: None). As at 31 Mart 2012, the Company does not have notes for guarantee (31 December 2011: None). For the three month period ended 31 March 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 8,110,070 (31 December 2011: TL 7,511,195) are letters of guarantees and promissory notes which 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, Euro and Great Britian Pound.

As at 31 March 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 March 2012				31 December 2011			
	TL (Functional Currency)	**USD**	**Euro**	**GBP**	**TL (Functional Currency)**	**USD**	**Euro**	**GBP**
1.Trade receivables	12,233,999	6,900,558	784,102	--	10,354,515	4,277,183	931,068	--
2. Monetary financial assets	1,790,629	1,010,000	28,477	--	12,276,159	4,200,000	1,777,060	--
3.Current Assets	**14,024,628**	**7,910,558**	**812,579**	--	**22,630,674**	**8,477,183**	**2,708,128**	--
4.Total Assets	**14,024,628**	**7,910,558**	**812,579**	--	**22,630,674**	**8,477,183**	**2,708,128**	--
5.Trade payables	(1,293,844)	(649,905)	(59,849)	--	(2,548,616)	(900,896)	(346,556)	--
6.Financial liabilities	(15,015,437)	(7,981,996)	(365,178)	--	(5,233,089)	(1,891,625)	(679,270)	--
7.Short-term Liabilities	**(16,309,281)**	**(8,631,901)**	**(425,027)**	--	**(7,781,705)**	**(2,792,521)**	**(1,025,826)**	--
8.Total Liabilities	**(16,309,281)**	**(8,631,901)**	**(425,027)**	--	**(7,781,705)**	**(2,792,521)**	**(1,025,826)**	--
Total	**(2,284,653)**	**(721,343)**	**387,552**	--	**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 March 2012		
USD: 1.7729		
Euro: 2.3664		
	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	(127,887)	127,887
2-USD risk averse portion (-)		
3-Net USD Effect (1+2)	**(127,887)**	**127,887**
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	91,710	(91,710)
5-Euro risk averse portion (-)		
6- Net Euro Effect (4+5)	**91,710**	**(91,710)**
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)	**(36,177)**	**36,177**

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 Three-Month period ended 31 March 2012 and year ended 31 December 2011, total import and export of the Company comprised the following:

	31 March 2012	31 December 2011
Total export	20,911,341	52,647,528
Total import	14,830,862	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, therefore 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 March 2012 and 31 December 2011:

31 March 2012	Book Value	Total contractual cash outflows	0-3 Months	3-12 Months	1-5 years	5 years and more
ACCOUNTS PAYABLE					--	--
Short term financial payables	25,033,895	25,033,895	25,033,895	--	--	--
Trade and other payables	24,566,112	24,566,112	24,566,112	--	--	--
Due to related parties	735,934	735,934	--	735,934	--	--
Expense accruals	2,113,422	2,113,422	2,113,422	--	--	--
Other liabilities	1,836,847	1,836,847	1,836,847	--	--	--
Total accounts payable	**54,286,210**	**54,286,210**	**53,550,276**	**735,934**	--	--

31 December 2011						
ACCOUNTS PAYABLE						
Short term financial payables	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	--	--
Expense accruals	2,999,115	2,999,115	2,999,115	--	--	--
Other liabilities	92,673	92,673	92,673	--	--	--
Total accounts payable	**31,152,772**	**31,152,772**	**30,648,318**	**504,454**	--	--

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

26.2 Risk Management Disclosures *(Continued)*

26.2.6 Capital Management

Profit Distribution Policy and Profit Distribution Time (Timing of Profit Distribution)

The Company's profit distribution policy is to pay dividends to shareholders not lower than the profit available for distribution calculated with respect to the SPK communiqués considering the long term strategies, investment and finance plans and profitibility conditions. Dividend payable can be both fully cash and fully bonus share (provided from the Company's own resources) or partially cash and partially bonus share. There is no privilege in the principal agreement of the Company related to the profit distribution.

Prıfit distribution is made within the legal terms, according to TTK and SPK.

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

None