Convenience Translation into English of Financial Statements As at and the Year Ended 31 December 2011 With Independent Auditor's Report Thereon

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali
Müşavirlik Anonim Şirketi
13 February 2012
This report is 53 pages

Independent Auditors' Report

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

We have audited the accompanying financial statements of İzocam Ticaret ve Sanayi Anonim Şirketi, which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Company Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of İzocam Ticaret ve Sanayi Anonim Şirketi as at 31 December 2011, and of its financial performance and it's cash flows for the year then ended in accordance with the financial reporting standards (please see Note 2) promulgated by CMB.

Additional paragraph for convenience translation to English

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

İstanbul, 13 February 2012

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hakkı Özgür Sıvacı
İstanbul, Türkiye

TABLE OF CONTENTS

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Financial Position as at 31 December 2011

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

	Notes	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
ASSETS			
Current Assets		**123,179,489**	**116,868,749**
Cash and Cash Equivalents	4	30,167,968	37,713,219
Trade Receivables	6	72,544,586	56,475,766
Due From Related Parties	*25*	*1,175,654*	*661,141*
Other Trade Receivable		*71,368,932*	*55,814,625*
Inventory	8	19,957,988	17,712,498
Other Current Assets	14	508,947	4,967,266
Non-Current Assets		**74,356,070**	**68,178,976**
Other Receivables	7	3,955	2,868
Property, Plant and Equipment	9	74,229,403	68,130,602
Intangible Assets	10	86,762	45,035
Other Non-Current Assets	14	1,824	471
Deferred Tax Asset	23	34,126	--
TOTAL ASSETS		**197,535,559**	**185,047,725**
LIABILITIES			
Short-Term Liabilities		**37,854,564**	**31,610,582**
Loans and Borrowings	5	5,233,090	7,378,523
Trade Payables	6	22,827,894	18,213,399
Due To Related Parties	*25*	*504,454*	*298,031*
Other Trade Payable		*22,323,440*	*17,915,368*
Other Payables	7	1,597	13,908
Taxes on Income	23	2,851,061	1,571,566
Provisions	11	2,999,115	2,359,825
Other Short-Term Liabilities	14	3,861,922	1,975,499
Employee Benefits	13	79,885	97,862
Long-Term Liabilities		**5,464,441**	**5,151,523**
Employee Benefits	13	5,464,441	3,967,650
Deferred Tax Liability	23	--	1,183,873
EQUITY		**154,216,554**	**148,285,620**
Paid-in Capital	15	24,534,143	24,534,143
Inflation Adjustment on Capital	15	25,856,460	25,856,460
Share Premium	15	1,092	1,092
Restricted Reserves	15	27,105,565	24,358,885
Retained Earnings		42,094,853	41,972,182
Net Profit For The Period		34,624,441	31,562,858
TOTAL LIABILITIES		**197,535,559**	**185,047,725**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Comprehensive Income for the Year Ended 31 December 2011

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

		Audited	
	Notes	**31 December 2011**	**31 December 2010**
Revenues	16	286,431,333	251,144,213
Cost of Sales (-)	16	(204,988,643)	(173,547,543)
GROSS PROFIT		**81,442,690**	**77,596,670**
Selling, Marketing and Distribution Expenses (-)	17	(31,459,249)	(31,190,157)
Administrative Expenses (-)	18	(10,760,028)	(10,813,575)
Other Operating Income	20	203,345	990,737
Other Operating Expense (-)	20	(75,122)	(804,815)
OPERATING PROFIT		**39,351,636**	**35,778,860**
Finance Income	21	4,571,211	4,676,793
Finance Costs (-)	22	(605,162)	(1,044,209)
PROFIT BEFORE TAX		**43,317,685**	**39,411,444**
Current Tax Expense	23	(9,911,243)	(8,513,543)
Deferred Tax Credit	23	1,217,999	664,957
PROFIT FOR THE YEAR		**34,624,441**	**31,562,858**
EARNINGS PER SHARE ("Kr")	24	**0.01411**	**0.01286**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Changes in Equity for the Year Ended 31 December 2011

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

	Notes	Paid In Capital	Inflation Adjustment on Capital	Share Premium	Restricted Reserves: Legal Reserves	Restricted Reserves: Special Reserves	Restricted Reserves: Total	Retained Earnings	Profit for the Year	Total Equity
Balances at 1 January 2010		**24,534,143**	**25,856,460**	**1,092**	**21,683,781**	**46**	**21,683,827**	**41,972,182**	**30,652,349**	**144,700,053**
Total comprehensive income										
Profit for the year	**15**	--	--	--	--	--	--	--	31,562,858	31,562,858
Total comprehensive income					**2,675,058**		**2,675,058**	**27,977,291**	**31,562,858**	**31,562,858**
Transfer to reserves	**15**	--	--	--	2,675,058	--	2,675,058	27,977,291	(30,652,349)	--
Transactions with owners, recorded directly in equity		--	--	--	--	--	--	--	--	--
Dividends	**15**	--	--	--	--	--	--	(27,977,291)	--	(27,977,291)
Total transactions with owners		--	--	--	--	--	--	*(27,977,291)*	--	*(27,977,291)*
Balances at 31 December 2010		**24,534,143**	**25,856,460**	**1,092**	**24,358,839**	**46**	**24,358,885**	**41,972,182**	**31,562,858**	**148,285,620**
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										
Profit for the year	**15**	--	--	--	--	--	--	--	34,624,441	34,624,441
Total comprehensive income		--	--	--	--	--	--	--	**34,624,441**	**34,624,441**
Transfer to reserves	15	--	--	--	2,746,680	--	2,746,680	28,816,178	(31,562,858)	--
Transactions with owners, recorded directly in equity		--	--	--	--	--	--	--	--	--
Dividends	**15**	--	--	--	--	--	--	(28,693,507)	--	(28.693.507)
Total transactions with owners		--	--	--	--	--	--	*(28,693,507)*	--	*(28.693.507)*
Balances at 31 December 2011		**24,534,143**	**25,856,460**	**1,092**	**27,105,519**	**46**	**27,105,565**	**42,094,853**	**34,624,441**	**154,216,554**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Cash Flows for the Year Ended 31 December 2011

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

		Audited	
	Note	**Current Period 31 December 2011**	**Prior Period 31 December 2010**
Cash flows from operating activities			
Profit for the period		34,624,441	31,562,858
Adjustments to:			
Depreciation and amortization	9,10	11,918,539	11,630,470
Current tax expense	23	9,911,243	8,513,543
Deferred tax	23	(1,217,999)	(664,957)
Provision for employee severance indemnity	13	1,741,638	620,625
Provision for vacation pay liability	13	488,750	527,152
Finance income	21	(4,381,339)	(4,676,793)
Finance cost	22	605,162	719,464
(Gain) losses on sale of tangible assets-net	20	(27,670)	97,586
Allowance for bad debt receivables	6	24,020	409,698
Other non-monetary provisions		2,722,845	1,282,526
		56,409,540	**50,022,172**
Change in trade receivables	6	(15,578,327)	(7,837,823)
Change in due from related parties	25	(514,513)	(137,966)
Change in other receivables	7	(1,087)	--
Change in restricted accounts	4	984,559	(2,233,901)
Change in inventories	8	(2,245,490)	(508,860)
Change in other current assets	14	4,458,319	441,851
Change in trade payable	6	4,408,072	2,390,888
Change in other noncurrent assets		(1,353)	(471)
Change in due to related parties	25	195,445	(894,164)
Change in other payables		(12,311)	10,262
Change in other liabilities	14	1,886,423	826,180
Taxes paid		(8,631,748)	(8,950,685)
Interest paid		(473,315)	(154,507)
Employee severance indemnity paid	13	(638,102)	(820,629)
Provisions paid		(2,328,878)	(2,864,029)
Net cash from operating activities		**37,917,234**	**29,288,318**
Cash flows used in investing activities			
Acquisition of property, plant and equipment	9	(18,113,954)	(20,597,510)
Acquisition of intangible assets	10	(83,784)	(6,132)
Proceeds from sales of property, plant and equipment		166,435	43,012
Advances given for tangible assets	14	--	(2,752,675)
Net cash used in investing activities		**(18,031,303)**	**(23,313,305)**
Financing activities			
Net change in loans and borrowings		(2,145,433)	7,021,309
Dividend paid	15	(28,682,529)	(27,966,189)
Interest received, net		4,433,577	4,723,654
Cash flows used in financing activities		**(26,394,385)**	**(16,221,226)**
Change in cash and cash equivalents, net		(6,508,454)	(10,246,213)
Cash and cash equivalents at the beginning of the period		**35,386,144**	**45,632,357**
Cash and cash equivalents at the end of the period	**4**	**28,877,690**	**35,386,144**

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, importation and exportation of glasswool, stonewool, mineral wool, glass fiber, expanded and extruded polystyrenes, elastomeric rubber, polyethylene, insulated and noninsulated roof and front panels, partition and mezzanine.

As at 31 December 2011, İzocam Holding Anonim Şirketi has ownership intent of 95.07 percent within the Company through the shares acquired from Koç Group on 29 November 2006 and 10 July 2007 which represents non-quoted 1.501.330.396 shares with 61.19 percent ownership and the shares acquired from İstanbul Stock Exchange (ISE) which represents 831.117.304 shares with 33.88 percent ownership. 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 its related parties namely Saint Gobain Group and Alghanim Group of companies. The Company has several related parties as their customers and suppliers (Note 25). The Company is registered at Capital Market Board ("CMB") and its shares are listed in ISE since 15 April 1981. As at 31 December 2011, 38.84 percent of the shares of Izocam are publicly traded at ISE.

As at 31 December 2011, the average number of employees of the Company is 434 (31 December 2010: 432) in which 189 (31 December 2010: 188) is comprised white collar employees and 245 (31 December 2010: 244) is comprised blue collar employees.

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

The head office address of the Company is as follows:

Dilovası Organize Sanayi Bölgesi

1. Kısım Dicle Caddesi No: 8

Dilovası / KOCAELİ

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of compliance

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

The accompanying financial statements of the Company have been prepared in accordance with the accounting and reporting principles issued by CMB ("CMB Financial Reporting Standards"). CMB issued Communiqué No: XI-29 "Basis for Financial Reporting in the Capital Markets" ("Communiqué No: XI-29") published in the official gazette on 9 April 2008 with 26842 number. 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").

Accordingly, the Company prepared its financial statements in accordance with IFRS as at 31 December 2011.

With the governing decree law numbered 660 published in official gazette on 2 November 2011, the establishment article of TASB stated in the 2499 numbered law with an additional article number one has been superseded and the Council of Ministers decided to establish Public Oversight Accounting and Auditing Standards Agency ("Oversight Agency"). In accordance with the transitional article number one of the governing decree law, until the date of the issuing of standards and regulations by Oversight Agency, the existing regulations will be applied. Accordingly, as of reporting date, the Basis of Presentation has not been changed.

The financial position as of 31 December 2011 and its comprehensive income for the year then ended has been approved by the Board of Directors on 13 February 2012. The legal authorities of the General Assembly of the Company have the right to modify the issued financial statements.

Additional paragraph for convenience translation to English:

The accompanying financial statements are not intended to present the financial position and its financial performance 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 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 were reflected in retained earnings.

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

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 and Errors

The accounting policies set out below have been applied consistently 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 accounting errors (if any) are corrected, retrospectively; restating the prior period financial statements.

2.3 Changes in Accounting Estimates

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

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

As at 31 December 2011, 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 has been explained in note 2.4.2.

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.

IASB issued interpretations about prepayments of a minimum funding (interpretations for IFRIC 14) on 26 November 2009. The amendments to IFRIC 14, which is itself an interpretation of IAS 19 applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment, *Prepayments of a Minimum Funding Requirement*, has an effective date for mandatory adoption of 1 January 2011, with early adoption permitted.

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 main changes to IAS 24 are:
A partial exemption from the disclosure requirements for transactions between a government-controlled reporting entity and that government or other entities controlled by that government; and
IASB agreed that the partial exemption from the disclosure requirements should be required to be made retrospectively, because this should result in a reduction of 'clutter' in the footnotes and an identification of better information about the nature and extent of significant transactions with the government.

In addition, IASB agreed that the definition of a related party should also be applied retrospectively from the effective date. In addition, the Board agreed that an entity should be permitted to adopt the partial exemption for government-controlled entities before the effective date even if it does not adopt the amended definition of related party until a later date.

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 amendment is effective for annual periods beginning on or after 1 January 2013 and it is not expected to have any impact on the financial statements.

2.4.2 New Standards and Interpretations Not Yet Adopted as at 31 December 2011

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2011, and have not been applied in preparing these financial statements.

As at 31 December 2011, the International Accounting Standards Board (IASB) issued two narrow amendments to IFRS 1. The first amendment is disclosed in note 2.4.1.

The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. 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.

IFRS 7 "Financial Instruments" is amended to will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. 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 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.

IFRS 9 "Financial Instruments" has been issued on November 2009, by the IASB as the first step in its project to replace IAS 39 "*Financial Instruments: Recognition and Measurement"*. 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 is effective for annual periods beginning on or after 1 January 2013 although entities are permitted to adopt them earlier prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2015.

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

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

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

2.4 Changes in IFRS

2.4.2. New Standards and Interpretations Not Yet Adopted as at 31 December 2011 (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

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 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.

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

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

2.4 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"* are 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.

2.5 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented. 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 at the reporting date at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to TL at the exchange rates at that date.

Non-monetary items in foreign currency that are measured on historical cost are translated to TL with the exchange rates at date of the 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 instrument.

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 realize 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, and due from related parties.

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

Non-derivative financial liabilities

The Company initially recognises financial liabilities on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.
The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, due to related parties other short term liabilities.

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:

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Accordingly cost and calculated appreciation of the disposed items are derecognized.

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.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.3 Property, plant and equipment (Continued)

Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure 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 short period of the lease term or the useful life.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally conducted assets from the date that the asset is completed and ready for use.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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 property, plant and equipment are reviewed at each reporting date end and adjusted if appropriate.

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 Expenditure
Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Amortization

Intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful lives for a period between three and 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 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.5 Significant Accounting Policies *(Continued)*

2.5.3 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.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

2.5.4 Inventories

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

2.5.5 Impairment of assets

Financial assets

A financial asset not classified as 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 includes default or delinquency by a debtor, restructuring of an amount due to the Company on the terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

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

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. The Company sets an allowance for its trade receivables which are assessed as the collections from those are remote other than the ones estimated as bad debt. The Company sets an allowance for its receivables which are uncollectible at their maturity or in legal follow up or no response or collections was received for the ones which notices sent. Subsequent to recognition of allowance against receivables, if the receivable balance has been collected, the collected amount has been reversed through profit or loss.

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

The recoverable amount of an asset or Cash Generating Unit ("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 CGU exceeds its recoverable amount. Impairment losses are recognized in the profit or loss. A CGU is the smallest group of units that generates cash inflows from continuing issue that are legally independent of the cash inflows of other units or group of assets.

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.

2.5.6 Employee benefits

According to the enacted labor related 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 labor 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 as they incur.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.7 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 than 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 than such assets and profit or loss effect has been recognized in the financial statements at the relevant period that income change effect occurs.

2.5.8 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 in profit or loss. The revenue is recognized in profit or loss on a systematic basis. The product is shipped together with the good dispatch note which is also the basis of issuing the invoice for the system.

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).

2.5.9 Government grants

Government grants including the non-cash loans 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.

2.5.10 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 on 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)*

2.5.11 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).

2.5.12 Earnings 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.

2.5.13 Subsequent events

Subsequent events represent the events that occur against or on behalf of the Company between the balance reporting date and the date when financial statements were 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 reporting date and such events require restating the financial statements; accordingly the Company restates the financial statements appropriately. If such events do not require restating the financial statements, such events have been disclosed in the related notes.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.14 Expenses

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

2.5.15 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.

2.5.16 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).

2.5.17 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 December 2011 and 2010, cash and cash equivalents comprised the following:

	2011	2010
Banks		
Time deposit	*27,950,966*	*35,197,173*
Demand deposit	*178,755*	*205,208*
Cheques at collection*	787,398	76,484
Restriction on cash**	1,249,342	2,233,901
Other cash equivalents	1,507	453
	30,167,968	**37,713,219**

*Cheques in collection are composed of the cheques collected which have not been deposited to the Company's accounts, with a maturity date 31 December.

**As at 31 December 2011, cash and cash equivalents consist of cash at blockage amounting to TL 1,249,342 (TL 2,233,901). 17 March 2010, the Company has started to use Direct Borrowing System ("DBS") which reduces the collection risk and guarantee letter expenses. In accordance with the arrangements made with various banks, instead of the Company, the relevant banks set a credit limit to customers and the collection is performed by the relevant bank. After the collection, the bank keeps the payments received at blockage per one day.

At 31 December 2011 and 2010, demand deposits comprised the following currencies (TL equivalents);

	2011	2010
TL	112,627	205,208
European Currency Unit	66,128	--
	178,755	**205,208**

At 31 December 2011 and 2010, time deposits comprised the following currencies:

	2011	2010
TL	15,740,936	32,104,749
USD("American Dollar")	7,933,380	3,092,424
EURO	4,276,650	--
	27,950,966	**35,197,173**

At 31 December 2011, time deposits are denominated in TL, EURO and USD and weighted average interest rates are 10.73, 4.97 percent and 4.86 percent, respectively together with the maturities of 2 January 2012 and 5 January 2012. (31 December 2010, time deposits are denominated in TL and USD and weighted average interest rates are 8.52 percent, 2.50 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 December are comprised the followings:

	2011	2010
Banks		
Time deposit	27,950,966	35,197,173
Demand deposit	178,755	205,208
Cheques at collection	787,398	76,484
Other cash equivalents	1,250,849	2,234,354
Less: Interest accruals	(40,936)	(93,174)
Less: Restricted Cash	(1,249,342)	(2,233,901)
	28,877,690	**35,386,144**

5 LOANS AND BORROWINGS

At 31 December 2011 and 2010, loan and borrowings comprised the followings:

	2011	2010
Factoring loans	***5,233,090***	**6,988,395**
USD	3,573,091	*5,554,892*
EURO	1,659,999	*1,433,503*
Bank borrowings	**--**	**390,128**
TL	--	*390,128*
	5,233,090	**7,378,523**

As at 31 December 2011, short term bank borrowings are comprised of factoring. As at 31 December 2011, 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 recognised at financial statements up to maturity.

6 TRADE RECEIVABLES AND PAYABLES

6.1 Short-Term Trade Receivables

At 31 December 2011 and 2010, short-term trade receivables comprised the followings:

	2011	2010
Accounts receivable	61,192,477	47,044,072
Cheques receivable	11,352,109	9,310,924
Notes receivable	--	120,770
Doubtful receivables	1,126,452	1,104,337
Less: Allowance for doubtful receivables	(1,126,452)	(1,104,337)
	72,544,586	**56,475,766**

At 31 December 2011, TL 1,175,654 of accounts receivable comprised due from related parties (At 31 December 2010: TL 661,141) in which detailed presentation is disclosed in Note 25.

The average collection period of trade receivables is 88 days (31 December 2010: 94.3 days) which can change according to the seasonal effects and the type of the product and the provisions of the agreement with the customer.

6 TRADE RECEIVABLE AND PAYABLE *(CONTINUED)*

6.1 Short-Term Trade Receivables *(Continued)*

At 31 December 2011 and 2010, maturity profiles cheques and notes receivables are as follows:

	2011		2010	
	Cheques	Notes Receivable	Cheques	Notes Receivable
0 - 30 days	5,338,047	--	3,865,239	79,500
31 - 60 days	2,843,633	--	2,914,454	30,000
61- 90 days	1,623,959	--	1,651,441	--
91 days and over	1,546,470	--	879,790	11,270
Total	**11,352,109**	**--**	**9,310,924**	**120,770**

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

	2011	2010
Beginning balance	1,104,337	1,325,530
Provision for the year	24,020	409,698
Recoveries	(1,905)	(17,845)
Write offs	--	(613,046)
Ending Balance	**1,126,452**	**1,104,337**

6.2 Short-Term Trade Payables

At 31 December 2011, short-term trade payable amounts to TL 22,827,894 (31 December 2010: TL 18,213,399) arising from payable to various suppliers and the average payment period of trade payables is 30.9 days (31 December 2010: 23.9 days).

At 31 December 2011, TL 504,454 of trade payable comprised due to related parties (31 December 2010: TL 298,031) in which detailed presentation is disclosed in Note 25.

7 OTHER RECEIVABLES AND PAYABLES

7.1 Long-Term Other Receivables

At 31 December 2011, long-term receivables comprised deposits and collaterals amounting to TL 3,955 (31 December 2010: TL 2,868).

7.2 Short-Term Other Payables

At 31 December 2011, short-term other payables amounting to TL 1,597 (31 December 2010: TL 13,908) comprised other personnel payables.

8 INVENTORIES

As at 31 December 2011 and 2010, inventories comprised the following:

	2011	2010
Raw materials and supplies	13,485,796	12,117,958
Finished goods	5,926,183	4,921,636
Trading goods	546,009	672,904
	19,957,988	**17,712,498**

As at 31 December 2011 and 2010, inventories are accounted of cost and none of the inventories recognized at its net realizable value.

9 PROPERTY, PLANT AND EQUIPMENT

For the period ended 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**

For the period ended 31 December 2011, depreciation expenses amounting to TL 10,179,723 (31 December 2010: TL 10,689,576) has been recognized under cost of sales, TL 171,994 (31 December 2010: TL 177,677) has been recognized under administrative expenses and TL 659,227 (31December 2010: TL 724,792) has been capitalized on stocks.

As at 31 December 2011 and 31 December 2010, there has been no pledge on property, plant and equipment.

For the period ended 31 December 2011 and year ended 31 December 2010, the Company utilizes tangible assets which have nil net book value on its accounts. (31 December 2011 Cost: TL 109,235,405 Accumulated Depreciation: TL 109,235,405; 31 December 2010 Cost: TL 103,728,716 Accumulated Depreciation: TL 103,728,716).

For the period ended 31 December 2011, the items transferred from construction in progress to the relevant items of plant, property and equipment are made of completion costs and has an amortization expense of TL 610,323 in profit or loss.

9 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

For the period ended at 31 December 2010, movement in the property, plant and equipment comprised the following:

Cost	1 January 2010	Additions	Disposals	31 December 2010
Land	815,031	--	--	815,031
Land improvements	4,413,106	173,322	--	4,586,428
Buildings	33,899,659	--	--	33,899,659
Machinery and equipment	169,301,344	1,293,874	(498,499)	170,096,719
Furniture and fixtures	7,832,373	33,504	(509,145)	7,356,732
Leasehold improvements	56,540	--	--	56,540
Construction in progress	--	19,096,810	--	19,096,810
	216,318,053	**20,597,510**	**(1,007,644)**	**235,907,919**

Less: Accumulated depreciation	1 January 2010	Charge for the period	Disposals	31 December 2010
Land improvements	(2,514,887)	(161,629)	--	(2,676,516)
Buildings	(18,669,580)	(1,047,535)	--	(19,717,115)
Machinery and equipment	(128,820,936)	(10,120,625)	360,279	(138,581,282)
Furniture and fixtures	(7,005,700)	(258,271)	506,767	(6,757,204)
Leasehold improvements	(41,225)	(3,975)	--	(45,200)
Total accumulated depreciation	**(157,052,328)**	**(11,592,035)**	**867,046**	**(167,777,317)**
Net book value	**59,265,725**			**68,130,602**

10 INTANGIBLE ASSETS

For the period ended 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**

For the period ended 31 December 2010, movement in the intangible assets comprised the following:

Cost	1 January 2010	Additions	31 December 2010
Software rights	702,541	6,132	708,673
	702,541	**6,132**	**708,673**

Less: Accumulated amortization	1 January 2010	Charge for the period	31 December 2010
Software rights	(625,203)	(38,435)	(663,638)
Total accumulated amortization	**(625,203)**	**(38,435)**	**(663,638)**
Net book value	**77,338**		**45,035**

10 INTANGIBLE ASSETS *(CONTINUED)*

At 31 December 2011, amortization expenses amounting to TL 42,057 (31 December 2010: TL 38,435) have been recognised under administrative expenses.

At 31 December 2011 and year ended 31 December 2010, the Company utilizes intangible assets which have nil net book value on its accounts (31 December 2011 Cost: TL 610,865, Amortization: TL 610,865; 31 December 2010 Cost: TL 573,588, Amortization: TL 573,588).

11 PROVISIONS

At 31 December 2011 and 31 December 2010, short-term provisions are comprised the following:

	2011	**2010**
Bonuses	2,210,334	1,872,256
Accruals for invoices not yet received	645,099	456,622
DBS commission accruals	112,735	--
Provisions for litigations	30,947	30,947
	2,999,115	**2,359,825**

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

	1 January 2011	***Additions***	***Payments***	***Reversal***	**31 December *2011***
Bonuses (*)	1,872,256	2,210,334	(1,872,256)	--	2,210,334
Accruals for invoices not yet received (**)	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**

For year ended 31 December 2010, the movement of provisions is as follows:

	1 January 2010	***Additions***	***Payments***	***Reversal***	***31 December 2010***
Bonuses	1,441,655	1,872,256	(1,441,655)	--	1,872,256
Accruals for invoices not yet received	434,088	456,622	(434,088)	--	456,622
Provisions for litigations (***)	1,317,714	30,947	(988,286)	(329,428)	30,947
	3,193,457	**2,359,825**	**(2,864,029)**	**(329,428)**	**2,359,825**

(*) Bonuses is calculated according to performance criteria which are determined by Board of Directors.

(**)Accruals for invoices not yet received comprised natural gas expense accrual, provision for various general administrative expenses**.** As at 31 December 2010, other administrative expenses which were included in other assets and liabilities amounting to TL 456,622 are reclassified under provisions.

(***) 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.

12 COMMITMENTS AND CONTINGENCIES

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

The commitments given;

For companies other than publicly owned associations and financial institutions;

i) For their own corporate identities

ii) In favor of fully consolidated associations

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

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

At 31 December 2011 and 2010 commitments given are as follows:

	2011	**2010**
A Commitments given in the name of the company itself	7,511,195	4,940,831
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	**7,511,195**	**4,940,831**

At 31 December 2011 and 2010, the Company has letter of guarantees obtained from banks and given to Custom Offices, foreign and domestic suppliers and to banks and notes given as collaterals.

At 31 December 2011 and 2010, non-cancellable operating lease rentals are payable as follows:

	2011	**2010**
1. year	679,122	569,437
2. year	228,131	569,437
3. year	--	191,285
	907,253	**1,330,159**

As at 31 December 2011, credit limits and terms to maturities have been determined by relevant 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 credit 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 December 2011 and 2010, employee benefits comprised the followings:

	2011	**2010**
Provision for employee severance indemnity	4,120,567	2,885,184
Long term portion of vacation pay liability	1,343,874	1,082,466
Long term portion of employee benefit	**5,464,441**	**3,967,650**
Short term portion of vacation pay liability	79,885	97,862
	5,544,326	**4,065,512**

Provision for employee severance indemnity has been set as follows:

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

The severance pay is calculated as one month gross salary for every employment year and as at 31 December 2011 the ceiling amount has been limited to TL 2,731.85 (31 December 2010: TL 2,517.01).

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:

	2011	**2010**
Discount rate %	4.66	4.66
Turnover rate to estimate the probability of retirement %		
Age range 18 - 24	20	11
Age range 25 – 29	4	9
Age range 30 – 39	3	1
Age range 40 – 44	0	0
Age range 45 – 49	0	0
Age range 50 – 69	4	8

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 December 2011	**31 December 2010**
Opening balance	2,885,184	2,520,231
Interest cost	131,847	564,957
Service Cost	304,837	211,975
Payments made during the period	(638,102)	(820,629)
Actuarial difference	1,436,801	408,650
Ending balance	**4,120,567**	**2,885,184**

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. For the period ended at 31 December 2011, TL 442,090 portion of actuarial difference is recognized under general administrative expenses (31 December 2010: TL 190,610), TL 1,299,548 portion is recognized under cost of sales (31 December 2010: TL 430,015).

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

	31 December 2011	**31 December 2010**
Opening balance	1,180,328	944,425
Additions during the period	488,750	527,152
Reversal	(245,319)	(291,249)
Ending balance	**1,423,759**	**1,180,328**

14 OTHER ASSETS AND LIABILITIES

14.1 Other Current Assets

At 31 December 2011 and 2010, other current assets comprised the following:

	2011	**2010**
Advances given for inventory	172,030	1,398,909
VAT for export receivables	127,500	216,509
Prepaid expenses	110,406	89,745
Other receivables	73,348	192,896
Job advances	18,128	680
Employee advances	5,721	4,356
Deferred VAT	64	311,226
Advances given for fixed asset (*)	--	2,752,675
Other	1,750	270
	508,947	**4,967,266**

(*) At 31 December 2010, advances given for fixed asset represents the advance amount that has been given for plant, property and equipment related with the new factory that was constructed in ''Kocaeli-Gebze V (Kimya) Organize Sanayi Bölgesi'' and for the new factory building that will be built in Tarsus.

14.2 Other Non-Current Assets

At 31 December 2011, non-current assets amounting to TL 1,824 (31 December 2010: TL 471) comprised long term portion of prepaid expenses.

14.3 Other Short-Term Liabilities

At 31 December 2011 and 2010, other short-term liabilities comprised the following:

	2011	**2010**
Withholding taxes and duties	1,603,653	1,310,577
VAT payable	1,357,386	204,087
Social security premium payable	808,210	371,711
Other	92,673	89,124
	3,861,922	**1,975,499**

15 EQUITY

15.1 Paid-in Capital / Inflation Adjustment on Capital

At 31 December 2011, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (31 December 2010: 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 December 2011		31 December 2010	
	Shares	**Ownership interest %**	**Shares**	**Ownership interest %**
İzocam	15,004,304	61.16	15,004,304	61.16
İzocam (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 on 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 December 2011	**Nominal value**	**Inflation adjustment**	**Restated values**
Share premiums	1,092	223,408	224,500
Restricted reserves	27,105,565	23,641,953	50,747,518
Legal reserves	*27,105,519*	*18,710,928*	*45,816,447*
Special reserves(*)	*46*	*4,931,025*	*4,931,071*
Extraordinary reserves	19,516,370	(1,496,872)	18,019,498
	46,623,027	**22,368,489**	**68,991,516**

31 December 2010			
Share premiums	1,092	223,408	224,500
Restricted reserves	24,358,885	23,641,953	48,000,838
Legal reserves	*24,358,839*	*18,710,928*	*43,069,767*
Special reserves(*)	*46*	*4,931,025*	*4,931,071*
Extraordinary reserves	19,393,699	(1,496,872)	17,896,827
	43,753,676	**22,368,489**	**66,122,165**

(*) 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 cannot 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 December 2011, legal reserves of the Company amount to TL 27,105,519 (31 December 2010: TL 24,358,839).

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 December 2011 and 2010, according to the matters described above the equity accounts of the Company per CMB's Communique XI-29 is:

	31 December 2011	**31 December 2010**
Paid-in capital	24,534,143	24,534,143
Inflation adjustment on capital	25,856,460	25,856,460
Restricted reserves		
Legal reserves	27,105,519	24,358,839
Special reserves	46	46
Inflation adjustment on legal reserves	18,710,928	18,710,928
Extraordinary reserves	18,019,498	17,896,827
Special reserves	4,931,025	4,931,025
Inflation adjustment on share premium	223,408	223,408
Retained earnings	209,994	209,994
Share premium	1,092	1,092
Profit for the year	34,624,441	31,562,858
	154,216,554	**148,285,620**

In the ordinary general assembly held on 25 March 2011, it is decided that TL 31,562,858 of the Company's net profit for the year ended 31 December 2010 amounting to TL 28,693,507 would be distributed as cash dividend. Additionally, TL 2,746,680 was decided to be transferred to second legal reserves. For the year ended at 31 December 2011, TL 28,682,529 of TL 28,693,507 total dividend has been paid and the remaining portion amounting to TL 10,978 at to due to related parties.

16 SALES AND COST OF SALES

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

	2011	**2010**
Domestic sales	250,929,843	215,732,846
Export sales	52,647,528	49,774,936
Other	151,551	140,072
Gross sales	303,728,922	265,647,854
Less: Sales returns and discounts	(17,297,589)	(14,503,641)
Net sales	286,431,333	251,144,213
Less: Cost of sales	(204,988,643)	(173,547,543)
Gross profit	**81,442,690**	**77,596,670**

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

	2011	**2010**
Raw materials and consumables used	180,527,982	148,852,324
Wages and salaries	15,237,629	12,824,740
Depreciation	10,100,683	10,689,576
Changes in inventories	(877,651)	1,180,903
Cost of Sales	**204,988,643**	**173,547,543**

17 SELLING, MARKETING AND DISTRIBUTION EXPENSES

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

	2011	**2010**
Freight insurance expenses	15,669,684	14,594,051
Personnel expenses	5,621,676	6,086,465
License expenses	2,648,522	1,770,154
Storage expenses	1,440,712	1,262,708
Sales commissions	1,129,308	1,393,323
Advertisement expense	940,034	2,215,866
Dealer expenses	888,116	791,228
Transportation expenses	739,478	616,863
Guarantee letter expenses	608,245	521,998
Exhibition and fair expenses	423,923	274,132
Public relation expenses	268,566	128,250
Travel expenses	265,646	200,208
Rent expenses	149,896	120,598
Research and development expenses	2,235	381,650
Other	663,208	832,663
	31,459,249	**31,190,157**

18 ADMINISTRATIVE EXPENSES

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

	2011	**2010**
Personnel expenses	7,134,326	6,906,169
IT Expenses	504,857	496,233
Transportation expenses	358,024	298,629
Consultancy expenses	261,491	247,798
Communication expenses	240,942	227,811
Subscription fees	217,173	163,684
Depreciation and amortization (Note 9 and 10)	214,049	216,102
Repair, maintenance and energy	191,425	215,759
Duties, taxes and levies	178,923	461,990
Representation expenses	156,719	177,917
Litigation costs	133,431	229,652
Travel expenses	94,344	80,391
Donations (*)	65,595	35,691
Stationery expenses	50,764	50,847
Insurance expenses	44,331	46,041
General assembly expenses	23,366	21,010
Project expenses	2,620	15,933
Other	887,648	921,918
	10,760,028	**10,813,575**

(*) For the years ended 31 December 2011, the amount of donations given to associations and charitable foundations is amounting to TL 65,595 and (31 December 2010: TL 35,691).

19 EXPENSES BY NATURE

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

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

	2011	**2010**
Additional Salaries	15.385.106	14.106.125
Salaries	11.514.819	10.685.375
Severance pay indemnity	1.093.706	1.025.874
	27.993.631	**25.817.374**

20 OTHER OPERATING INCOME/EXPENSE

20.1 Other Operating Income

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

	2011	2010
Other operating income (*)	63,879	--
Gain on sale of property, plant and equipment	57,181	20,644
Insurance contracts	54,229	234,195
Released Provisions	26,151	406,470
Reversal of provisions for Turkish Competition Board penalty	--	329,428
Recoveries from doubtful receivables	1,905	--
	203,345	**990,737**

(*) For the year ended 31 December 2011 other operating income mostly consists of compensation for participation to exhibitions.

20.2 Other Operating Expense

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

	2011	2010
Loss on sale of property, plant and equipment	29,511	118,230
Provision for doubtful receivables	--	409,698
Other	45,611	276,887
	75,122	**804,815**

21 FINANCE INCOME

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

	2011	**2010**
Interest income on sales on credit terms	3,708,877	1,831,757
Interest income on time deposits	672,462	2,845,036
Foreign exchange gains	189,872	--
	4,571,211	**4,676,793**

22 FINANCE COSTS

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

	2011	**2010**
Interest expense on borrowings	473,315	154,507
Actuarial interest cost	131,847	564,957
Foreign exchange losses	--	324,745
	605,162	**1,044,209**

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 December, total tax liability comprised the following:

	31 December 2011	**31 December 2010**
Corporate tax provision	9,911,243	8,513,543
Prepaid tax	(7,060,182)	(6,941,977)
Total	2,851,061	1,571,566
Deferred tax (assets) / liability	(34,126)	1,183,873
	2,816,935	**2,755,439**

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

	2011	**2010**
Current tax	(9,911,243)	(8,513,543)
Deferred tax debit	1,217,999	664,957
	(8,693,244)	**(7,848,586)**

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

	2011	**%**	**2010**	**%**
Profit before tax	43,317,685		39,411,444	
Tax rate	20.00		20.00	
Taxes on reported profit per statutory tax rate	(8,663,537)	(20.00)	(7,882,289)	(20.00)
Permanent difference	--	0.00	(6,189)	0.02
Disallowable expenses	(39,745)	(0.09)	(55,321)	(0.12)
Tax effect of investment allowance	--	--	29,328	--
Other	3,849	0.01	65,885	0,14
Tax provision	**(8,693,244)**	**(20.07)**	**(7,848,586)**	**(19.99)**

23 TAX ASSETS AND LIABILITIES *(CONTINUED)*

23.1 Deferred Tax Assets and Liabilities

Deferred tax liabilities and assets are provided, using the liability 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 December 2011 and 31 December 2010 were attributable to the items detailed in the table below:

	2011		2010	
	Deferred tax		Deferred tax	
	assets	liabilities	assets	liabilities
Employee severance indemnity	824,113	--	577,037	--
Vacation pay liability	284,752	--	236,066	--
Unrecognized interest expense	96,110	--	37,456	--
Provision for doubtful receivable	--	--	--	--
Pro-rata basis depreciation expense	--	(1,039,004)	--	(1,889,474)
Others	--	(131,845)	--	(144,958)
	1,204,975	(1,170,849)	850,559	(2,034,432)
Offsetting	(1,170,849)	1,170,849	(850,559)	850,559
	34,126	**--**	**--**	**(1,183,873)**

The movement of deferred tax liabilities is as follow:

	1 January 2011	Profit or (loss)	31 December 2010	Profit or (loss)	31 December 2011
Employee severance indemnity	504,046	72,991	577,037	247,076	824,113
Vacation pay liability	188,885	47,181	236,066	48,686	284,752
Unrecognized interest expense	28,634	8,822	37,456	58,654	96,110
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(2,568,429)	533,997	(2,034,432)	995,428	(1,039,004)
Reversal of calculated rediscount expenses according to tax regulations	(79,891)	79,891	--	(131,845)	(131,845)
Provisions for doubtful receivables	77,925	(77,925)	--	--	--
	(1,848,830)	**664,957**	**(1,183,873)**	**1,217,999**	**34,126**

24 EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the year ended 31 December 2011 amounting to TL 34,624,441 (31 December 2010: TL 31,562,858) to the weighted average of the shares during these periods.

	2011	**2010**
Net Profit	34,624,441	31,562,858
Number of weighted average of ordinary shares	2,453,414,335	2,453,414,335
Earnings per share (Kr per share)	0.01411	0.01286

25 RELATED PARTIES

25.1 Due from Related Parties

At 31 December 2011 and 2010, due from related parties comprised the following:

	2011	**2010**
Saint-Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret Anonim Şirketi ("Saint-Gobain Weber")	1,091,960	559,376
Saint Gobain Recherche	33,313	--
Saınt-Gobaın Gradevınskı Proızvodı d.o.o.	33,004	--
Saint Gobain Isover Italia S.P.A.	17,377	93,028
Rigips Hellas S.A (Saint Gobain)	--	8,737
	1,175,654	**661,141**

As at 31 December 2011 collaterals amounting to TL 25,574 are taken from related parties (31 December 2010: TL 13,038).

25.2 Due To Related Parties

At 31 December 2011 and 31 December 2010, due to related parties comprised the following:

	2011	**2010**
Grunzweig Hartman AG ("Grunzweig")	263,533	143,758
Saint Gobain-İsover (Royalite)	148,084	74,570
Saint Gobain Glass Italia S.P.A.	2,874	--
Other	89,963	79,703
	504,454	**298,031**

25 RELATED PARTIES *(CONTINUED)*

25.3 Sales to Related Parties

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

	2011	**2010**
Saint Gobain Weber Markem	7,453,547	5,291,705
Saint Gobain Isover Italya S.P.A.	108,632	1,037,714
Saint-Gobain Gradevinski Proizvodi D.O.O.	33,004	--
Saint Gobain Recherche	32,856	3,008
Kuwait Insulating Material Mfg. Co.	24,945	--
Saint Gobain Hellas Abee	15,428	--
Saint Gobain Isover (Fransa)	1,004	--
Saint Gobain Rigips Alçi Sanayi Ve Ticaret A.Ş.	233	--
Saint-Gobain Construction Products - Hellas Abee	--	163,263
Saint Gobain Isover Almanya	--	2,725
Saint Gobain Rigips Hellas S.A	--	53,279
	7,669,649	**6,551,694**

25.4 Purchases from Related Parties

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

	2011	**2010**
Saint Gobain Weber Markem	4,924,062	3,811,940
Saint Gobain Isover (Royalite)	1,108,487	651,734
Grunzweig (Royalite)	852,480	564,394
Saint Gobain - İsover (Almanya)	17,419	--
Saint-Gobain Glass İtalia	7,028	14,088
Saint Gobain Isover France	5,727	5,666
Saint Gobain Rigips Alçi Sanayi Ve Ticaret A.Ş.	3,003	--
Saint Gobain Isover Austria GmbH	527	--
	6,918,733	**5,047,822**

25.5 Other Transaction with Related Parties

At 31 December 2011 and 2010, other transactions with related parties comprised the following:

	31 December 2011	**31 December 2010**
Dividends paid		
İzocam Holding	27,278,769	26,632,280
Central Record Institution	1,403,744	1,331,042
Other	16	2,867
	28,682,529	**27,966,189**

25 RELATED PARTIES *(CONTINUED)*

25.6 Remuneration to Top Management

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

	2011	2010
Short term benefits:		
(Salaries, premiums, housing, company cars, social securities, health insurance, vacation payments and etc.)	2,811,729	2,634,930
Other long term benefits:		
(Indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	187,797	141,784
TOTAL	**2,999,526**	**2,776,714**

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

26.1.1 Credit risk

Credit risk is the risk of financial loan to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party.

The management of the Company covers these risks by limiting the average risk for counter party (except for 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 DBS by the agreements of various banks. The Company is exposed to credit risk amounting to TL 8,889,931 which is not covered by collaterals and DBS guarantees.

Provisions set 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 encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash on other financial assets. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

At 31 December 2011 the Company has guaranteed the receivables amounting to TL 94,093,000 via DBS aiming to avoid liquidity risk. The Company has also obtained factoring loans amounting to TL 5,233,090 which 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. These transactions are held in USD, Euro and United Kingdom Sterling.

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 December 2011**	**31 December 2010**
Cash and cash equivalents	Note 4	27,950,966	35,197,173
Bank borrowings	Note 5	5,233,090	6,988,395

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 December 2011 and 31 December 2010 are as follow:

	31 December 2011	**31 December 2010**
1. and 5. District Office (Marmara, West Black Sea Regions)	29,404,185	25,347,840
2. District Office (Central Anatolia, Middle Black Sea Regions)	19,910,702	10,600,472
4. District Office (Aegean and Mediterranean Sea Regions)	9,825,938	6,963,933
3. District Office (South East Anatolia, East Anatolia. East Black Sea Regions)	7,447,001	6,686,203
Middle East, Balkans. Africa and Others	4,781,107	6,216,177
	71,368,933	**55,814,625**

At 31 December 2011, the Company has a letter of guarantee amounting to TL 16,555,596 (31 December 2010: TL 16,699,227), mortgage amounting to TL 2,254,000 (31 December 2010: TL 2,349,000), Eximbank guarantee amounting to TL 10,479,168 (31 December 2010: TL 18,674,706), collaterals received as notes amounting to TL 800,384 (31 December 2010: TL 883,527) and direct borrowing system guarantees amounting to TL 94,093,000 (31 December 2010: TL 70,411,500). The Company does not have collaterals received as cash at 31 December 2011 (31 December 2010: TL 8,300).

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

26.2 Risk Management Disclosures *(Continued)*

26.2.2 Credit risk (continued)

	Receivables			
	Trade Receivables			
31 December 2011	**Related Party**	**Others**	**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	--		--	--
-Past 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

* 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)

At 31 December 2011 past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables	
31 December 2011	**Trade Receivables**	**Trade 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	--

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

	Receivables			
	Trade Receivables			
31 December 2010	**Related Party**	**Other Parties**	**Deposits on Banks**	**Other (Commitments given)**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**661,141**	**55,814,625**	**35,402,381**	**4,940,831**
A. Net carrying value of financial assets which are neither impaired nor overdue	**661,141**	**49,062,807**	**35,402,381**	--
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	6,751,818	--	--
-The portion covered by any guarantee	--	5,579,322	--	--
D. Net carrying value of impaired assets	--	--	--	--
-Over due (gross book value)	--	1,104,337	--	--
-Impairment (-)	--	(1,104,337)	--	--
-Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	4,940,831

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

26.2 Risk Management Disclosures *(Continued)*

26.2.2 Credit risk (continued)

At 31 December 2010, past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables	
31 December 2010	**Trade Receivables**	**Trade Receivables**
Past due 1-30 days	2,585,378	--
Past due 1-3 months	3,792,070	--
Past due 3-12 months	226,910	--
Past due 1-5 years	147,460	--
More than 5 years	--	--
The portion secured by guarantee*	5,579,322	--

* At 31 December 2011, the Company has guaranteed its receivables by letter of guarantee amounting to TL 802,086 (31 December 2010: TL 1,720,287), direct debit system guarantees amounting to TL 4,234,994 (31 December 2010: TL 3,511,829), mortgage amounting to TL 83,740 (31 December 2010: TL 56,806), Eximbank guarantee amounting to TL 1,100,755 (31 December 2010: TL 282,285). As at 31 December 2011, the Company does not have any cheque for guarantee (31 December 2010: TL 8,115). As at 31 December 2011, the Company does not have notes for guarantee (31 December 2010: None). For the year ended 31 December 2011 and 31 December 2010 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 7,511,195 (31 December 2010: TL 4,940,831) 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 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 United Kingdom Sterling.

As at 31 December 2011 and 31 December 2010, net position of the Company is resulted from foreign currency assets and liabilities are as follows:

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

26.2 Risk Management Disclosures *(Continued)*

26.2.4 Currency risk (continued)

FOREIGN CURRENCY POSITION								
	31 December 2011				**31 December 2010**			
	TL (Functional Currency)	**USD**	**Euro**	**GBP**	**TL (Functional Currency)**	**USD**	**Euro**	**GBP**
1.Trade receivables	10,354,515	4,277,183	931,068	--	11,501,302	6,171,202	954,840	1,700
2. Monetary financial assets	12,276,159	4,200,000	1,777,060	--	3,092,424	2,000,274	-	--
3.Current Assets	**22,630,674**	**8,477,183**	**2,708,128**	--	**14,593,726**	**8,171,476**	**954,840**	**1,700**
4.Total Assets	**22,630,674**	**8,477,183**	**2,708,128**	--	**14,593,726**	**8,171,476**	**954,840**	**1,700**
5.Trade payables	(2,548,616)	(900,896)	(346,556)	--	(2,211,270)	(833,976)	(449,926)	--
6.Financial liabilities	(5,233,089)	(1,891,625)	(679,270)	--	(6,988,395)	(3,593,074)	(699,577)	--
7.Short-term Liabilities	**(7,781,705)**	**(2,792,521)**	**(1,025,826)**	--	**(9,199,665)**	**(4,427,050)**	**(1,149,503)**	--
8.Total Liabilities	**(7,781,705)**	**(2,792,521)**	**(1,025,826)**	--	**(9,199,665)**	**(4,427,050)**	**(1,149,503)**	--
Total	**14,848,969**	**5,684,662**	**1,682,302**	--	**5,394,061**	**3,744,426**	**(194,663)**	**1,700**

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

26.2 Risk Management Disclosures *(Continued)*

26.2.4 Currency risk (continued)

Currency Sensitivity Analysis		
31 December 2011		
USD: 1.8889		
Avro: 2.4428		
	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)**

Currency Sensitivity Analysis		
31 December 2010		
USD: 1,5460		
Avro: 2,0491		
GBP: 2,3886		
	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	578,888	(578,888)
2-USD risk averse portion (-)		
3-Net USD Effect (1+2)	**578,888**	**(578,888)**
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	(39,888)	39,888
5-Euro risk averse portion (-)		
6- Net Euro Effect (4+5)	**(39,888)**	**39,888**
Assumption of devaluation/appreciation by 10% of other currencies against TL		
7-Other currency net asset/liability	406	(406)
8-Other currency risk averse portion (-)		
9-Net other currency effect (7+8)	406	(406)
Total(3+6+9)	**539,406**	**(539,406)**

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 years ended 31 December 2011 and 2010, total import and export of the Company comprised the following:

	31 December 2011	31 December 2010
Total export	52,647,528	49,774,957
Total import	68,871,315	62,520,093

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 December 2011 and 31 December 2010:

	31 December 2011					
	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	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**	--	--

	31 December 2010					
ACCOUNTS PAYABLE						
Short term financial payables	7,378,523	7,378,523	7,378,523	--	--	--
Trade and other payables	17,915,368	17,915,368	17,915,368	--	--	--
Due to related parties	298,031	298,031	--	298,031	--	--
Expense accruals	2,359,825	2,359,825	2,359,825		--	--
Other liabilities	89,124	89,124	89,124	--	--	--
Total accounts payable	**28,040,871**	**28,040,871**	**27,742,840**	**298,031**	**--**	**--**

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 profitability 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.

Profit 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