İzocam Ticaret ve Sanayi Anonim Şirketi

Convenience Translation into English of Financial Statements As at and For the Nine-Month Period Ended 30 September 2011

27 October 2011

This report is 50 pages

TABLE OF CONTENTS

İzocam Ticaret ve Sanayi Anonim Şirketi

Interim Balance Sheet as at 30 September 2011

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

	Note	Unaudited Current Period 30 September 2011	Audited Prior Period 31 December 2010
ASSETS			
Current Assets		**108,397,663**	**116,868,749**
Cash and Cash Equivalents	4	6,778,568	37,713,219
Trade Receivables	6	70,937,720	56,475,766
Due From Related Parties	*25*	*623,480*	*661,141*
Other Trade Receivable		*70,314,240*	*55,814,625*
Inventory	8	29,098,077	17,712,498
Other Current Assets	14	1,583,298	4,967,266
Non-Current Assets		**76,320,436**	**68,178,976**
Other Receivables	7	3,955	2,868
Property, Plant and Equipment	9	76,178,969	68,130,602
Intangible Assets	10	94,313	45,035
Other Non-Current Assets	14	43,199	471
TOTAL ASSETS		**184,718,099**	**185,047,725**
LIABILITIES			
Short-Term Liabilities		**36,025,300**	**31,610,582**
Bank Borrowings	5	4,736,616	7,378,523
Trade Payable	6	24,015,273	18,213,399
Due To Related Parties	*25*	*532,852*	*298,031*
Other Trade Payable		*23,482,421*	*17,915,368*
Other Payables	7	1,223	13,908
Taxes on Income	23	2,307,691	1,571,566
Expense Accruals	11	3,593,602	1,903,203
Other Short-Term Liabilities	14	1,269,385	2,432,121
Employee Benefits	13	101,510	97,862
Long-Term Liabilities		**5,084,643**	**5,151,523**
Employee Benefits	13	4,577,854	3,967,650
Deferred Tax Liability	23	506,789	1,183,873
EQUITY		**143,608,156**	**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		24,016,043	31,562,858
TOTAL LIABILITIES		**184,718,099**	**185,047,725**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Comprehensive Income Statement for the Nine-Month Period Ended 30 September 2011

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

	Note	Unaudited 1 January- 30 September 2011	Unaudited 1July- 30 September 2011	Unaudited 1 January- 30 September 2010	Unaudited 1July - 30 September 2010
Revenues	16	209,021,214	76,879,279	186,119,920	70,107,294
Cost of Sales (-)	16	(148,819,261)	(53,748,997)	(127,559,868)	(48,056,697)
GROSS PROFIT		**60,201,953**	**23,130,282**	**58,560,052**	**22,050,597**
Selling, Marketing and Distribution Expenses (-)	17	(23,936,292)	(8,150,419)	(23,190,800)	(8,032,077)
Administrative Expenses (-)	18	(7,344,790)	(2,132,555)	(7,685,564)	(2,258,692)
Other Operating Income	20	179,147	34,314	1,052,360	169,159
Other Operating Expense (-)	20	(900,253)	(777,961)	(572,082)	(152,714)
OPERATING PROFIT		**28,199,765**	**12,103,661**	**28,163,966**	**11,776,273**
Finance Income	21	3,155,597	1,032,457	3,438,888	1,060,466
Finance Costs (-)	22	(1,317,648)	(478,474)	(650,028)	(303,037)
PROFIT BEFORE TAX		**30,037,714**	**12,657,644**	**30,952,826**	**12,533,702**
Current Tax Expense	23	(6,698,755)	(2,734,426)	(6,701,052)	(2,565,518)
Deferred Tax Credit	23	677,084	195,901	529,353	52,912
NET PROFIT FOR THE PERIOD		**24,016,043**	**10,119,119**	**24,781,127**	**10,021,096**
Other Comprehensive Income		**--**	**--**	**--**	**--**
TOTAL COMPREHENSIVE INCOME		**24,016,043**	**10,119,119**	**24,781,127**	**10,021,096**
Earnings per share ("Kr")	24	0.0098	0.0041	0.0101	0.0041

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Interim Statement of Changes in Equity for the Nine-Month Period Ended 30 September 2011

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

	Notes	Capital	Inflation Adjustment on Capital	Share Premium	Restricted Reserves: Legal Reserves	Restricted Reserves: Special Reserves	Restricted Reserves: Total	Retained Earnings	Net Profit for the Year	Capital
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										
Net profit for the year	**15**	--	--	--	--	--	--	--	14,760,031	14,760,031
Total comprehensive income					**2,675,058**		**2,675,058**	**27,977,291**	**14,760,031**	**14,760,031**
Transfer to reserves	**15**	--	--	--	2,675,058	--	2,675,058	27,977,291	(30,652,349)	--
Transactions with owners, recorded directly in equity		--	--	--	--	--	--	--	--	--
Dividends to equity holder	**15**	--	--	--	--	--	--	(27,977,291)	--	(27,977,291)
Total transactions with owners		--	--	--	--	--	--	*(27,977,291)*	--	*(27,977,291)*
Balances at 30 September 2010		**24,534,143**	**24,534,143**	**1,092**	**24,358,839**	**46**	**24,358,885**	**41,972,182**	**14,760,031**	**131,482,793**
Balances at 1 January 2011		**24,534,143**	**25,856,460**	**1,092**	**24,358,839**	**46**	**24,358,885**	**41,972,182**	**31,562,858**	**148,285,620**
Total comprehensive income										
Net profit for the year	**15**	--	--	--	--	--	--	--	24,016,043	24.016.043
Total comprehensive income		--	--	--	**2,746,680**	--	**2,746,680**	**28,816,178**	**24,016,043**	**24.016.043**
Transfer to reserves	15	--	--	--	2,746,680	--	2,746,680	28,816,178	(31,562,858)	--
Transactions with owners, recorded directly in equity		--	--	--	--	--	--	--	--	--
Dividends to equity holder	**15**	--	--	--	--	--	--	(28,693,507)	--	(28.693.507)
Total transactions with owners		--	--	--	--	--	--	*(28,693,507)*	--	*(28.693.507)*
Balances at 30 September 2011		**24,534,143**	**24,534,143**	**25,856,460**	**1,092**	**27,105,519**	**46**	**27,105,565**	**42,094,853**	**24,016,043**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Cash Flows for the Nine-Month Period Ended 30 September 2011

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

		Reviewed	
	Note	Current Period 30 September 2011	Prior Period 30 September 2010
Cash flows from operating activities			
Net profit for the period		24,016,043	24,781,127
Adjustments to:			
Depreciation and amortization	9,10	8,836,351	8,774,306
Current tax expense	23	6,698,755	6,701,052
Deferred tax	23	(677,084)	(529,353)
Provision for employee severance indemnity	13	574,488	688,284
Provision for vacation pay liability	13	333,296	252,354
Finance income	21	(3,155,597)	(3,438,888)
Finance cost	22	818,306	492,880
Gain (losses) on sale of tangible assets-net	20	(51,574)	90,865
Allowance for bad debt receivables	6	147,162	428,780
Other non-monetary provisions		2,950,877	2,786,717
		40,491,023	**41,028,124**
Change in account receivables	6	(14,646,777)	(17,646,498)
Change in due from related parties	25	37,661	(208,804)
Change in blockage amount	4	249,948	(1,476,156)
Change in inventory	8	(11,385,579)	(7,706,089)
Change in other current assets	14	3,261,181	870,202
Change in accounts payable	6	5,567,053	8,776,870
Change in other non current assets		(42,728)	(65,557)
Change in due to related parties	25	223,843	(915,937)
Change in other payables		(12,685)	854
Change in other liabilities	14	(767,014)	(1,195,764)
Taxes paid		(5,962,630)	(6,214,465)
Interest paid		(481,414)	(305,373)
Employee severance indemnity paid	13	(416,406)	(734,773)
Provisions paid		(1,872,256)	(1,422,374)
Net cash from operating activities		**14,243,220**	**12,784,260**
Cash flows used in investing activities			
Acquisition of property, plant and equipment	9,10	(16,970,903)	(477,666)
Acquisition of intangible assets		(78,082)	--
Proceeds from sales of property, plant and equipment		168,201	--
Advances given for tangible assets	14	121,700	(19,162,329)
Investing activities		**(16,759,084)**	**(19,639,995)**
Financing activities			
Net change in financial liabilities		(2,641,907)	5,148,687
Dividend paid	15	(28,682,529)	(27,965,974)
Interest received, net		3,248,176	3,575,562
Cash flows used in financing activities		**(28,076,260)**	**(19,241,725)**
Change in cash and cash equivalents, net		(30,592,124)	(26,097,460)
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**	**4,794,020**	**19,534,897**

The accompanying notes are an integral part of these financial statements

1 ORGANIZATION AND NATURE OF BUSINESS

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

As at 30 September 2011, by collection of shares traded on İstanbul Stock Exchange ("ISE") and collected shares of İzocam Holding Anonim Şirketi ("İzocam Holding") in İzocam have reached to 95.07 percent. Together with 1.501.330.396 shares representing 61.16 percent of paid-in capital of İzocam not traded on ISE (which İzocam Holding purchased from Koç Group on 29 November 2006) and on 10 July 2007, 831.117.304 shares being traded on ISE which represents 33.91 percent of paid-in capital of İzocam, the shares of İzocam Holding in İzocam is 95.07 percent. İzocam Holding is a joint venture of Compagnie de Saint Gobain Group and Alghanim Group by 50 percent each.

The Company conducts some of its operations with the related party namely Saint Gobain Group and Alghanim Group of companies. The Company has several related parties as their customers and suppliers (Note 25). The Company is registered at CMB and its shares are listed in ISE since 15 April 1981. As at 30 September 2011, 38.84 percent of the shares of Izocam are publicly traded at ISE.

As at 30 September 2011, the average number of employees of the Company is 433 in which 189 (31 December 2010: 432) is comprised white collar employees and 244 (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:

İZOCAM TİCARET ve SANAYİ A.Ş.

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 TL in accordance with the Turkish Uniform Chart of Accounts, Turkish Commercial Code and Turkish Tax Code.

The accompanying financial statements of the Company have been prepared in accordance with the accounting and reporting principles issued by CMB ("CMB Financial Reporting Standards"). CMB published Communiqué No: XI-29 "Basis for Financial Reporting in the Capital Markets" ("Communiqué No: XI-29"). In Communiqué No: XI-29, CMB determines the principles, procedures and basis for preparing financial reports. Communiqué No: XI-29 is effective from the first interim period reporting after 1 January 2008 which supersedes Communiqué No: XI-25 "The Accounting Standards in Capital Markets" ("Communiqué No: XI-25"). In accordance with Communiqué No: XI-29, the companies are required to prepare their financial statements in accordance with the International Financial Reporting Standards as accepted by the European Union ("EU GAAP"). However, until Turkish Accounting Standards Board ("TASB") publishes the differences between the European Union accepted IAS/IFRS and International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"), IAS/IFRS has to be applied by the companies. Within the above mentioned scope, Turkish Financial Reporting Standards ("TFRS") issued by TASB will be applied if there is not inconsistency in the standards applied. The Company has prepared its financial statements in accordance with IFRS according to the Communiqué No: XI-25 and 27, which are superseded by Communiqué XI-29 issued on 9 April 2008, in which applying IFRS issued by IASB is accepted as an alternative to conform to the CMB Accounting Standards.

As at the date of this report, the differences between EUGAAP and IFRS issued by IASB has not been issued by TASB, the accompanying financial statements have been prepared in accordance with TFRS which are identical to IAS/IFRS to conform with Communiqué No: XI-29. The financial statements and notes to the financial statements have been presented in accordance with Communiqué XI- 29 issued by CMB on 9 April 2008, which advises the templates to be used for financial statements and notes to the financial statements.

The accompanying financial statements of the Company have been approved by the board of directors of the Company on 27 Ekim 2011. The general assembly and legal authorities are competent to change the accompanying financial statements.

Additional paragraph for convenience translation to English:

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

2.1.2 Basis of presentation of financial statements

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

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

The financial statements are prepared in TL based on the historical cost conversions which are expressed with their fair values.

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

2.1 Basis of Presentation *(Continued)*

2.1.3 Functional and presentation currency

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

2.1.4 Comparative information

The accompanying financial statements are prepared comparatively to present the tendency in the financial position, financial performance and cash flows of the Company. If necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative information is reclassed and related differences are explained in related notes (Note 11, Note 16, Note 17, Note 18, Note 22 and Note 25).

2.2 Changes in Accounting Policiess

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

2.3 Changes in Accounting Estimates and Errors

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

2 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 30 September 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 replaced the fixed dates in the derecognition exception and the exemption related to the initial fair value measurement of financial instruments and add a deemed cost exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation.

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
- Amendments to the definition of a related party.

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 2011 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 30 September 2011

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB's International Financial Reporting Interpretation Committee ("IFRIC") which are effective as at 30 September 2011. Some new standards, amendments to standards and interpretations which are not effective as at 30 September 2011 have not been applied during the preparation of the accompanying financial statements.

As at 30 September 2011, the International Accounting Standards Board (IASB) issued two narrow amendments to IFRS 1. The first amendment is disclosed in "New standards and interpretations adopted in 2011 that have no effect on the Company's financials".

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, securitisations), 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 2013.

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.

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 30 September 2011 (continued)

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

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

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

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

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

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

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 30 September 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

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

2.5.1 Foreign currency

Transactions in foreign currencies have been translated to TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. 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. Non-monetary assets and liabilities denominated in foreign currencies are translated to TL with the exchange rates at the dates of transaction.

2.5.2 Financial instruments

Non-derivative financial assets

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

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

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

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

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

2.5 Significant Accounting Policies *(Continued)*

2.5.2 Financial instruments (Continued)

Non-derivative financial assets (continued)

Loans and receivables

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

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

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

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated.

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

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

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

2.5.3 Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Gains or losses on disposals of property plant and equipment are included in the relevant income and expense accounts and the cost and accumulated depreciation of property, plant and equipment has been derecognized from the relevant accounts as appropriate. When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

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

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

2.5 Significant Accounting Policies *(Continued)*

2.5.3 Property, plant and equipment *(Continued)*

Depreciation

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

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

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

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

Depreciation method, economic useful lives and residual values of tangible assets are reviewed at each reporting 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 costs

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

Amortization

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

Rights	3-6 years

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

2.5.5 Leases

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

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

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

2.5 Significant Accounting Policies *(Continued)*

2.5.6 Inventories

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

2.5.7 Impairment of assets

Financial assets

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

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

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

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

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

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

2.5 Significant Accounting Policies *(Continued)*

2.5.7 Impairment of assets (Continued)

Non-financial assets

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

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

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

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

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

2.5.8 Employee benefits

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

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

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

2.5 Significant Accounting Policies *(Continued)*

2.5.9 Provisions, contingent liabilities and contingent assets

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

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities is disclosed in the notes to the financial statements (Note 12).

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

2.5.10 Revenue

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

When the sales arrangement effectively constitutes a financing cost, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on accrual basis (Note 21).

2.5.11 Government grants

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

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

2.5.12 Finance income and expenses

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

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

2.5 Significant Accounting Policies *(Continued)*

2.5.13 Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax liability is recorded at the profit or loss 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).

2.5.14 Earning per share

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

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

2.5.15 Subsequent events

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

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

2.5 Significant Accounting Policies *(Continued)*

2.5.16 Expenses

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

2.5.17 Paid-in capital and dividends

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

2.5.18 Related Parties

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

2.5.19 Cash flow statement

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

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

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

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

2.6 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 30 September 2011 and 31 December 2010, cash and cash equivalents comprised the following:

	30 September 2011	**31 December 2010**
Banks		
Time deposit	*3,909,380*	*35,197,173*
Demand deposit	*817,942*	*205,208*
Cheques at collection*	65,903	76,484
Cash at blockage**	1,983,953	2,233,901
Other cash equivalents	1,390	453
	6,778,568	**37,713,219**

*Cheques in collection are composed of the cheques which have not been transferred to the company's accounts, with a maturity date as of 30th of September.

**As at 30 September 2011, cash and cash equivalents consist of cash at blockage amounting to TL 1,983,953. At 17 March 2010, the Company has started to use Direct Borrowing System ("DBS") which reduces the collection risk and guarantee letter expenses. In accordance with the arrangaments made with various banks, instead of the Company, the bank sets a credit limit to customers and the collection is performed by the bank. After the collection, the bank keeps the payments received at blockage.

At 30 September 2011 and 31 December 2010, demand deposits comprised the following currencies (TL equivalents);

	30 September 2011	**31 December 2010**
TL	468,652	205,208
European Currency Unit (Euro)	346,897	--
American Dollar ("USD")	2,393	--
	817,942	**205,208**

At 30 September 2011 and 31 December 2010, time deposits comprised the following currencies:

	30 September 2011	**31 December 2010**
USD	2,820,595	3,092,424
TL	1,088,785	32,104,749
	3,909,380	**35,197,173**

At 30 September 2011, time deposits are denominated in TL and USD and weighted average interest rates are 8.00 percent and 2.75 percent and which their maturity date are 1 October 2011. (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 periods ended 30 September are comprised the followings:

	2011	2010
Banks		
Time deposit	*3,909,380*	*18,187,521*
Demand deposit	*817,942*	*786,446*
Cheques at collection	65,903	563,706
Other cash equivalents	1,985,343	1,476,741
Less: Interest accruals	(595)	(3,361)
Less: Cash at blockage	(1,983,953)	(1,476,156)
	4,794,020	**19,534,897**

5 BANK BORROWINGS

At 30 September 2011 and 31 December 2010, bank borrowings comprised the followings:

	30 September 2011	31 December 2010
Factoring loans	**4,186,356**	**6,988,395**
USD	*2,747,661*	*5,554,892*
Euro	*1,438,695*	*1,433,503*
Bank borrowings	**550,260**	**390,128**
TL	*550,260*	*390,128*
	4,736,616	**7,378,523**

As at 30 September 2011, short term bank borrowings are factoring loans and interest-free spot credits to pay withholding taxes and Social Security Institution ("SGK") premiums and loans which have a month maturity with 8.60 percent interest rates. As at 30 September 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 kept at financials up to maturity.

6 ACCOUNTS RECEIVABLE AND PAYABLE

6.1 Short-Term Accounts Receivable

At 30 September 2011 and 31 December 2010, short-term accounts receivables comprised the followings:

	30 September 2011	31 December 2010
Accounts receivable	60,108,067	47,044,072
Cheques receivable	10,829,653	9,310,924
Notes receivable	--	120,770
Doubtful receivables	1,249,594	1,104,337
Less: Allowance for doubtful receivables	(1,249,594)	(1,104,337)
	70,937,720	**56,475,766**

At 30 September 2011, TL 623,480 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 90 days (31 December 2010: 71 days) which can change according to the seasonal effecs and the type of the product and the provisions of the agreement with the customer.

6 ACCOUNTS RECEIVABLE AND PAYABLE *(CONTINUED)*

6.1 Short-Term Accounts Receivable *(Continued)*

At 30 September 2011 and 31 December 2010, maturity profiles cheques and notes receivables are as follows:

	30 September 2011		31 December 2010	
	Cheques	Notes Receivable	Cheques	Notes Receivable
0 - 30 days	4,677,898	--	3,865,239	79,500
31 - 60 days	2,622,137	--	2,914,454	30,000
61- 90 days	2,236,151	--	1,651,441	--
91 days and over	1,293,467	--	879,790	11,270
Total	**10,829,653**	**--**	**9,310,924**	**120,770**

At 30 September, the movement of allowance for doubtful receivables comprised the followings:

	30 September 2011	31 December 2010
Beginning balance	1,104,337	1,325,530
Provision for the year	147,162	409,698
Collections during the year	(1,905)	(17,845)
Write offs	--	(613,046)
Period end	**1,249,594**	**1,104,337**

6.2 Short-Term Accounts Payable

At 30 September 2011, short-term accounts payable amounts to TL 24,015,273 (31 December 2010: TL 18,213,399) arising from payable to various suppliers and the average payment period of trade payables is 31 days (31 December 2010: 28 days).

At 30 September 2011, TL 532,582 of accounts 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 30 September 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 30 September 2011, short-term other payables amounting to TL 1,223 (31 December 2010: TL 13,908) comprised the other personnel payables.

8 INVENTORIES

As at 30 September 2011 and 31 December 2010, inventories comprised the following:

	30 September 2011	31 December 2010
Raw materials and supplies	20,143,706	12,117,958
Finished goods	8,252,272	4,921,636
Trading goods	702,099	672,904
	29,098,077	**17,712,498**

As at 30 September 2011 and 31 December 2010, inventories are accounted at cost and none of the inventories recognized at its net realizable value.

9 PROPERTY, PLANT AND EQUIPMENT

At 30 September 2011 movement in the property, plant and equipment comprised the following:

Cost	1 January 2011	Transfer	Additions	Disposals	30 September 2011
Land	815,031	--	--	(99,800)	715,231
Land improvements	4,586,428	40,925	--	--	4,627,353
Buildings	33,899,659	7,379,342	--	--	41,279,001
Machinery and equipment	170,096,719	8,950,810	153,754	(537,552)	178,663,731
Furniture and fixtures	7,356,732	--	88,405	(631,410)	6,813,727
Leasehold improvements	56,540	--	16,335	--	72,875
Construction in progress	19,096,810	(16,371,077)	16,712,409	--	19,438,142
	235,907,919	**--**	**16,970,903**	**(1,268,762)**	**251,610,060**

Less: Accumulated depreciation	1 Ocak 2011	Transfer	Charge for the period	Disposals	30 September 2011
Land improvements	(2,676,516)	--	(124,286)	--	(2,800,802)
Buildings	(19,717,115)	--	(791,896)	--	(20,509,011)
Machinery and equipment	(138,581,282)	--	(7,704,171)	537,552	(145,747,901)
Furniture and fixtures	(6,757,204)	--	(182,460)	616,221	(6,323,443)
Leasehold improvements	(45,200)	--	(4,734)	--	(49,934)
Total accumulated depreciation	**(167,777,317)**	**--**	**(8,807,547)**	**1,153,773**	**(175,431,091)**
Net book value	**68,130,602**				**76,178,969**

For the period ended 30 September 2011, depreciation expenses amounting to TL 7,271,337 (30 September 2010: TL 7,886,728) has been recognized under cost of sales, TL 132,441 (30 September 2010: TL 134,172) has been included under administrative expenses and TL 702,853 (30September 2010: TL 724,665) has been capitalized on stocks and the rest of TL 700,916 has been included under idle capacity costs.

As at 30 September 2011 and 31 December 2010, there has been no pledge on property, plant and equipment.

For the period ended 30 September 2011 and year ended 31 December 2010, the Company utilizes tangible assets which have nil net book value on its accounts. (30 September 2011 Cost: TL 123,110,156, Accumulated Depreciation: TL 123,110,156; 31 December 2010 Cost: TL 103,728,716 Accumulated Depreciation: TL 103,728,716).

9 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

At 30 September 2010, movement in the property, plant and equipment comprised the following:

Cost	1 January 2010	Additions	Disposals	30 September 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	243,674	(216,374)	169,328,644
Furniture and fixtures	7,832,373	20,725	(90,360)	7,762,738
Leasehold improvements	56,540	--	--	56,540
Construction in progress	--	33,813	--	33,813
	216,318,053	**471,534**	**(306,734)**	**216,482,853**

Less: Accumulated depreciation	1 January 2010	Charge for the period	Disposals	30 September 2010
Land improvements	(2,514,887)	(119,780)	--	(2,634,667)
Buildings	(18,669,580)	(785,690)	--	(19,455,270)
Machinery and equipment	(128,820,936)	(7,640,419)	125,695	(136,335,660)
Furniture and fixtures	(7,005,700)	(196,629)	90,174	(7,112,155)
Leasehold improvements	(41,225)	(3,047)	--	(44,272)
Total accumulated depreciation	**(157,052,328)**	**(8,745,565)**	**215,869**	**(165,582,024)**
Net book value	**59,265,725**			**50,900,829**

10 INTANGIBLE ASSETS

At 30 September 2011, movement in the intangible assets comprised the following:

Cost	1 January 2011	Additions	30 September 2011
Software rights	708,673	78,082	786,755
	708,673	**78,082**	**786,755**

Less: Accumulated amortization	1 January 2011	Charge for the period	30 September 2011
Software rights	(663,638)	(28,804)	(692,442)
Total accumulated amortization	**(663,638)**	**(28,804)**	**(692,442)**
Net book value	**45,035**		**94,313**

At 30 September 2010, movement in the intangible assets comprised the following:

Cost	1 January 2010	Additions	30 September 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	30 September 2010
Software rights	(625,203)	(28,741)	(653,944)
Total accumulated amortization	**(625,203)**	**(28,741)**	**(653,944)**
Net book value	**77,338**		**54,729**

10 INTANGIBLE ASSETS *(CONTINUED)*

At 30 September 2011, amortization expenses amounting to TL 28,804 (30 September 2010: TL 28,741) have been included in administrative expenses.

At 30 September 2011 and year ended 31 December 2010, the Company utilizes intangible assets which have nil net book value on its accounts (30 September 2011 Cost: TL 515,710, Amortization: TL 515,710; 31 December 2010 Cost: TL 573,588, Amortization: TL 573,588).

11 EXPENSE ACCRUAL

At 30 September 2011 and 31 December 2010, short-term provisions are comprised the following:

	30 September 2011	**31 December 2010**
Premium, Other administrative and marketing expense accruals (*)	3,166,933	1,872,256
Natural Gas and TSE expense accruals (**)	395,722	456,622
Provisions for litigations	30,947	30,947
	3,593,602	**2,359,825**

For period ended 30 September 2011, the movement of provisions is as follows:

	1 January 2011	***Additions***	***Payments***	***Reversal***	**30 September *2011***
Premium, Other administrative and marketing expense accruals (*)	1,872,256	3,166,933	(1,872,256)	--	3,166,933
Natural Gas and TSE expense accruals (**)	456,622	395,722	(456,622)	--	395,722
Provisions for litigations	30,947	--	--	--	30,947
	2,359,825	**3,562,655**	**(2,328,878)**	**--**	**3,593,602**

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

	1 January 2010	***Additions***	***Payments***	***Reversal***	***31 December 2010***
Premium, Other administrative and marketing expense accruals (*)	1,441,655	1,872,256	(1,441,655)	--	1,872,256
Provisions for litigations	1,317,714	30,947	(988,286)	(329,428)	30,947
Natural Gas and TSE expense accruals (**)	434,088	456,622	(434,088)	--	456,622
	3,193,457	**2,359,825**	**(2,864,029)**	**(329,428)**	**2,359,825**

(*) Premium, other administrative and marketing expense acruals are contains personnel premium amounts that determined according to performance criteria by İzocam's Board of Directors.

(**) Other administrative expense accruals 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 expense accruals.

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 claimed against the decision; however the claim is rejected at 14 September 2011.

12 COMMITMENTS

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

The commitments given;

For companies other than publicly owned associations and financial institutions;

i) For their own corporate identities

ii) In favor of fully consolidated associations

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

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

At 30 September 2011 and 31 December 2010 commitments given are as follows:

	30 September 2011	31 December 2010
A Commitments given in the name of own legal Entity	5,709,092	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	**5,709,092**	**4,940,831**

At 30 September 2011 and 31 December 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 30 September 2011 and 31 December 2010, non-cancellable operating lease rentals are payable as follows:

	30 September 2011	31 December 2010
1. year	174,775	569,437
2. year	699,102	569,437
3. year	234,843	191,285
	1,108,720	**1,330,159**

As at 30 September 2011, loan limits and terms to maturities have been determined by associate banks to the customers who have been included in DBS system.

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

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

13 EMPLOYEE BENEFITS

At 30 September 2011 and 31 December 2010, employee benefits comprised the followings:

	30 September 2011	31 December 2010
Provision for employee severance indemnity	3,380,158	2,885,184
Long term portion of vacation pay liability	1,197,696	1,082,466
Long term portion of employee benefit	**4,577,854**	**3,967,650**
Short term portion of vacation pay liability	101,510	97,862
	4,679,364	**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 30 September 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:

	30 September 2011	31 December 2010
Discount rate	4.66%	4.66%
Turnover rate to estimate the probability of retirement	5%	6%

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:

	30 September 2011	30 September 2010
Opening balance	2,885,184	2,520,231
Interest cost	336,892	120,084
Cost of services	225,619	100,991
Payments made during the period	(416,406)	(551,969)
Actuarial difference	348,869	438,194
Ending balance	**3,380,158**	**2,627,531**

Actuarial difference arises from the changes in interest rates and changes in expectations about the salary increases. In addition to that, the number of employees that receive their indemnity before retirement increased the difference. Actuarial differences are recorded as incurred. As at 30 September 2011, cost of services TL 194,681 portion of actuarial difference is recorded as general administrative expenses (31 December 2010: TL 190,610), TL 379,807 portion is recorded as cost of sales (31 December 2010: TL 430,015).

13 EMPLOYEE BENEFITS *(CONTINUED)*

The movement of vacation pay liability for the years as at 30 September is as follows:

	30 September 2011	30 September 2010
Opening balance	1,180,328	944,425
Additions during the period	333,296	527,152
Reversal	(214,418)	(291,249)
Ending balance	**1,299,206**	**1,180,328**

14 OTHER ASSETS AND LIABILITIES

14.1 Other Current Assets

At 30 September 2011 and 31 December 2010, other current assets comprised the following:

	30 September 2011	31 December 2010
Deductible VAT	494,572	311,226
Prepaid expenses	371,754	89,745
Advances given for inventory	367,845	470,094
Advances given for fixed asset (*)	121,700	3,681,490
VAT for export receivables	119,346	216,509
Job advances	28,901	4,356
Other receivables	79,180	193,846
	1,583,298	**4,967,266**

(*) At 30 September 2011, advances given for fixed asset represents the advance amount that has been given for fixed assets related with the new factory that will be built in ‘‘Kocaeli-Gebze V (Kimya) Organize Sanayi Bölgesi’’ and for the new factory building that will be built in Tarsus.

14.2 Other Non-Current Assets

At 30 September 2011, non-current assets amounting to TL 43,199 (31 December 2010: TL 471) comprised long term portion of prepaid assets.

14.3 Other Short-Term Liabilities

At 30 September 2011 and 31 December 2010, other short-term liabilities comprised the following:

	30 September 2011	31 December 2010
Social security premium payable	394,179	371,711
Withholding taxes and duties	375,705	1,310,577
VAT payable	321,522	204,087
Retirement pension plan payables	84,222	79,218
Other	93,757	9,906
	1,269,385	**2,432,121**

(*) As at 30 September 2011, expense accruals amounting to TL 395,722 comprise natural gas and waste storage expense accruals.

15 EQUITY

15.1 Paid-in Capital / Inflation Adjustment on Capital

At 30 September 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:

	30 September 2011		31 December 2010	
	Shares	**Ownership interest %**	**Shares**	**Ownership interest %**
İzocam İzolasyon	15,004,304	61.16	15,004,304	61.16
İzocam İzolasyon (Publicly traded)	8,320,173	33.91	8,320,173	33.91
Other (Publicly traded)	1,209,666	4.93	1,209,666	4.93
	24,534,143	**100.00**	**24,534,143**	**100.00**
Inflation Adjustment on Capital	25,856,460		25,856,460	
	50,390,603		**50,390,603**	

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

15.2 Other Equity Items

In accordance with the Communiqué No: XI-29 issued on 9 April 2008 in the Official Gazette; equity items of paid-in capital, share premiums, and legal reserves and special reserves under restricted reserves should be presented at their nominal amounts. Accordingly the inflation adjustments provided for within the framework of TFRS, for paid-in capital has been presented under inflation adjustment on capital, where as for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings. Other equity items have been presented at TFRS values.

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

30 September 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 can not be distributed. However, those premiums can be used in share capital increases in the forthcoming years.

15.3 Dividend Distribution

According to the Turkish Commercial Code ("TCC"), legal reserves are comprised first and legal reserves. The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Company's statutory accounts until it reaches 20 percent of paid-in share capital. If the dividend distribution is made in accordance with Communiqué XI-29, a further 1/10 of dividend distributions, in excess of 5 percent of paid-in capital is to be appropriated to increase second legal reserves. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5 percent of paid-in capitals are to be appropriated to increase second legal reserves. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital. At 30 September 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, the articles of the incorporation and will be in accordance with the declarations made to public.

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

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

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

15 EQUITY *(CONTINUED)*

15.3 Dividend Distribution *(Continued)*

As at 30 September 2011 and 31 December 2010, according to the matters above the equity accounts of the Company per CMB's announcement Serial XI, Number 29 is:

	30 September 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 gains	209,994	209,994
Share premium	1,092	1,092
Net Profit	24,016,043	31,562,858
	143,608,156	**148,285,620**

In the ordinary general assembly held on 25 March 2011, it has been decided that TL 31,562,858 of the Company's net profit as at 31 December 2010 amounting to TL 28,693,507 would be distributed as cash dividend. Additionally, TL 2,746,680 will be transferred to second legal reserves. At 30 September 2011, TL 28,682,529 of TL 28,693,507 total dividend has been paid and the remaining portion amounting to TL 10,978 have been classified to due to related parties.

16 SALES AND COST OF SALES

For the periods ended 30 September, sales and cost of sales comprised the following:

	Ending 30 September 2011		**Ending 30 September 2010**	
	Nine months period	**Three months period**	**Nine months period**	**Three months period**
Domestic sales	183,262,498	66,094,868	158,929,178	62,513,801
Export sales	38,238,576	15,313,711	37,938,913	11,422,316
Other	126,056	54,754	110,218	51,834
Gross sales	221,627,130	81,463,333	196,978,309	73,987,951
Less: Sales returns and discounts	(12,605,916)	(4,584,054)	(10,858,389)	(3,880,657)
Net sales	209,021,214	76,879,279	186,119,920	70,107,294
Less: Cost of sales(*)	(148,819,261)	(53,748,997)	(127,559,868)	(48,056,697)
Gross profit	**60,201,953**	**23,130,282**	**58,560,052**	**22,050,597**

For the periods ended 30 September, the nature of the cost of sales comprised the following:

	Ending 30 September 2011		**Ending 30 September 2010**	
	Nine months period	**Three months period**	**Nide months period**	**Three months period**
Raw materials consumables used	133,731,364	42,913,317	110,444,846	43,078,453
Personnel expenses	11,176,393	3,768,682	9,294,797	3,165,049
Depreciation	7,271,334	2,315,378	7,886,728	2,608,819
Changes in inventories	(3,359,830)	4,751,620	(66,503)	(795,624)
Cost of Sales	**148,819,261**	**53,748,997**	**127,559,868**	**48,056,697**

*For the period ended 30 September 2010, additional costs presented under other operating expenses amounting to TL 92,728 have been reclassified under cost of sales.

17 SELLING, MARKETING AND DISTRIBUTION EXPENSES

For the periods ended 30 September, selling, marketing and distribution expenses comprised the following:

	Ending 30 September 2011		**Ending 30 September 2010**	
	Nine months period	**Three months period**	**Nine months period**	**Three months period**
Freight insurance expense	11,290,123	4,138,606	10,905,795	4,116,775
Wages and salaries	4,039,153	1,356,738	4,431,055	1,480,038
License expense	2,208,402	634,715	1,525,479	338,958
Advertisement expense	1,690,851	396,951	1,834,650	611,550
Storage expense	1,046,070	366,641	911,549	331,903
Dealer expenses	762,500	253,500	468,000	154,500
Sales commissions	742,863	298,191	1,117,826	406,321
Transportation expenses	551,839	177,242	466,250	151,564
Guarantee letter expenses	340,800	112,057	384,945	129,904
Exhibition and fair expense	247,493	82,493	311,400	103,800
Public relation expenses	233,098	184,279	74,750	22,500
Travel expenses	197,000	30,101	161,976	38,961
Rent expenses	136,928	12,967	108,215	12,382
Other	449,172	105,938	488,910	132,921
	23,936,292	**8,150,419**	**23,190,800**	**8,032,077**

18 ADMINISTRATIVE EXPENSES

For the periods ended September September, administrative expenses comprised the following:

	Ending 30 September 2011		**Ending 30 September 2010**	
	Nine months period	**Three months period**	**Nine months period**	**Three months period**
Personnel expenses	4,899,097	1,568,253	5,105,490	1,592,126
IT Expenses	370,377	116,325	374,878	159,638
Transportation expenses	268,260	85,400	227,178	63,992
Subscription fees	194,846	84,521	136,052	55,403
Consultancy expense	178,589	63,928	179,669	61,905
Depreciation and amortization (Note 9 and 10)	161,245	54,358	162,913	53,615
Communication expense	157,517	52,528	152,018	52,249
Repair, maintenance and energy	132,440	37,472	168,297	42,581
Litigation costs	116,271	18,164	124,075	46,529
Representation expenses	84,479	15,647	140,513	57,967
Duties, taxes and levies	82,972	3,797	241,895	38,977
Travel expense	72,512	15,475	66,058	14,930
Insurance expense	39,141	5,018	25,330	--
Stationary expenses	31,130	7,137	36,520	10,976
General assembly expenses	23,366	--	21,010	--
Donations	12,898	4,299	11,547	3,850
Other	519,650	233	512,121	3,954
	7,344,790	**2,132,555**	**7,685,564**	**2,258,692**

19 EXPENSES BY NATURE

For the periods ended 30 September, nature of expenses are disclosed in Notes 9, 10, 16, 17, 18, 20, 22 and 23.

20 OTHER OPERATING INCOME/EXPENSE

20.1 Other Operating Income

For the periods ended 30 September, other operating income comprised the following:

	Ending 30 September 2011		Ending 30 September 2010	
	Nine months period	**Three months period**	**Nine months period**	**Three months period**
Gain on sale of property, plant and equipment	57,181	--	--	--
Collections from insurance contracts	49,281	18,092	229,678	129,307
Other provisions no longer required	26,151	(6,286)	385,492	2,290
Collections from doubtful receivables	--	--	83,191	36,436
Provision no longer required for Turkish Competition Board penalty	--	--	329,428	--
Other operating income	46,534	22,508	24,571	1,126
	179,147	**34,314**	**1,052,360**	**169,159**

(*) For the period ended 30 September 2011other operating income is consist of no-claim cancellation of health insurance, compensate the cost of damage to property plant and equipment and encourages participation fees for exhibition.

20.2 Other Operating Expense

For the periods ended 30 September, other operating expense comprised the following:

	Ending 30 September 2011		Ending 30 September 2010	
	Nine months period	**Three months period**	**Nine months period**	**Three months period**
Idle capacity costs (*)	700,916	700,916	--	--
Provision for doubtful receivables	147,162	141,263	428,780	39,062
Loss on sale of property, plant and equipment	15,190	15,078	90,865	85,284
Other (**)	36,935	-79,296	52,437	28,368
	900,253	**777,961**	**572,082**	**152,714**

For the period ended 30 September 2011, the amount of donations given to associations and charitable foundations is amounting to TL 12,897 and (30 September 2010: TL 24,874).

(*) Idle capacity cost; consist of depreciation expenses of the machienery and equipment which has not been used at actual production throughout 2011.

(**) For the period ended 30 September 2010, additional costs presented under other operating expenses amounting to TL 92,728 have been reclassified under cost of sales.

21 FINANCE INCOME

For the periods ended 30 September, finance income comprised the following:

	Ending 30 September 2011		Ending 30 September 2010	
	Nine months period	**Three months period**	**Nine months period**	**Three months period**
Interest income on sales on credit terms	2,724,047	1,022,989	2,051,004	764,882
Interest income on time deposits	431,550	9,468	1,387,884	295,584
	3,155,597	**1,032,457**	**3,438,888**	**1,060,466**

22 FINANCE EXPENSE

For the periods ended 30 September, finance expense comprised the following:

	Ending 30 September 2011		Ending 30 September 2010	
	Nine months period	**Three months period**	**Nine months period**	**Three months period**
Foreign exchange losses	554,652	250,418	344,655	194,017
Interest expense on borrowings	426,104	103,307	305,373	109,020
Actuarial interest cost	336,892	124,749	--	--
	1,317,648	**478,474**	**650,028**	**303,037**

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 30 September, total tax liability comprised the following:

	30 September 2011	31 December 2010
Corporate tax provision	6,698,755	8,513,543
Prepaid tax	(4,391,064)	(6,941,977)
Total	2,307,691	1,571,566
Deferred tax liability	506,789	1,183,873
	2,814,480	**2,755,439**

For the periods ended 30 September, taxation charge in the profit or loss comprised the following:

	Ending 30 September 2011		Ending 30 September 2010	
	Nine months period	Three months period	Nine months period	Three months period
Current tax	(6,698,755)	(2,734,426)	(6,701,052)	(2,565,518)
Deferred tax credit	677,084	195,901	529,353	52,912
	(6,021,671)	**(2,538,525)**	**(6,171,699)**	**(2,512,606)**

The reported taxation charge for the periods ended 30 September 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	30,037,714	--	30,952,826	--
Tax rate	20.00	--	20.00	--
Taxes on reported profit per statutory tax rate	(6,007,543)	(20.00)	(6,190,565)	(20.00)
Disallowable expenses	(18,312)	(0.06)	(25,410)	(0.08)
Other	4,184	0.01	44,276	0.14
Tax provision	**(6,021,671)**	**(20.05)**	**(6,171,699)**	**(19.94)**

23 TAX ASSETS AND LIABILITIES *(CONTINUED)*

23.1 Deferred Tax Assets and Liabilities

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

The Company recognizes deferred tax assets in the financial statements by taking into consideration the factors such as the developments in the sector that the Company is operating, taxable income in the forthcoming years, Turkey's general economic and political situation, and/or global economic and political situations. The Company expects to generate taxable income in the forthcoming years and considers Turkey's economic and political situation shows clear positive developments. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in the forthcoming years under the balance sheet method using a principal tax rate of 20 percent (2010: 20 percent).

Deferred tax assets and deferred tax liabilities at 30 September 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	676,032	--	577,037	--
Vacation pay liability	259,841	--	236,066	--
Unrecognized interest expense	56,298	--	37,456	--
Provision for doubtful receivable	25,238	--		
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(1,383,627)	--	(1,889,474)
Others	--	(140,571)		(144,958)
	1,017,409	(1,524,198)	850,559	(2,034,432)
Offsetting	(1,017,409)	1,017,409	(850,559)	850,559
	--	**(506,789)**	**--**	**(1,183,873)**

The movement of deferred tax liabilities is as follow:

	1 January 2011	Profit or (loss)	31 December 2010	Profit or (loss)	30 September 2011
Employee severance indemnity	504,046	72,991	577,037	98,995	676,032
Vacation pay liability	188,885	47,181	236,066	23,775	259,841
Unrecognized interest expense	28,634	8,822	37,456	18,842	56,298
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(2,568,429)	533,997	(2,034,432)	650,805	(1,383,627)
Reversal of calculated rediscount expenses according to tax regulations	(79,891)	79,891	--	--	--
Provisions for doubtful receivables	77,925	(77,925)	--	25,238	25,238
Other	--	--	--	(140,571)	(140,571)
	(1,848,830)	**664,957**	**(1,183,873)**	**677,084**	**(506,789)**

24 EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the year ended 30 September 2011 amounting to TL 24,016,043 (30 September 2010: TL 24,781,127) to the weighted average of the shares during these periods.

	Ending 30 September 2011		**Ending 30 September 2010**	
	Nine months period	**Three months period**	**Nine months period**	**Three months period**
Net Profit	24,016,043	10,119,119	24,781,127	10,021,096
Number of weighted average of ordinary shares	2,453,414,335	2,453,414,335	2,453,414,335	2,453,414,335
Earnings per share (Kr per share)	0.00979	0.004125	0.0101	0.0041

25 RELATED PARTIES

25.1 Due from Related Parties

At 30 September 2011 and 31 December 2010, due from related parties comprised the following:

	30 September 2011	**31 December 2010**
Saint-Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret Anonim Şirketi ("Saint-Gobain Weber")	580,260	559,376
Saint-Gobain Isover Italia S.P.A.	43,220	93,028
Rigips Hellas SA. (Saint-Gobain)	--	8,737
	623,480	**661,141**

As at 30 September 2011 collaterals amounting to TL 25,830 are taken from related parties (31 December 2010: TL 13,038).

25.2 Due to Related Parties

At 30 September 2011 and 31 December 2010, due to related parties comprised the following:

	30 September 2011	**31 December 2010**
Saint-Gobain İsover (Royalite)	318,222	74,570
Saint-Gobain Grunzweig Hartman AG ("Grunzweig")	124,668	143,758
Other	89,962	79,703
	532,852	**298,031**

25 RELATED PARTIES *(CONTINUED)*

25.3 Sales to Related Parties

For the periods ended 30 September, sales to related parties comprised the following:

	Ending 30 September 2011		Ending 30 September 2010	
	Nine months period	**Three months period**	**Nine months period**	**Three months period**
Saint-Gobain Weber	6,447,564	2,184,038	4,346,842	1,481,048
Saint-Gobain Isover Italia S,P,A,	108,632	24,927	898,315	147,778
Saint-Gobain Construction Products - Hellas Abee	15,428	15,428	145,403	145,403
Kuwaıt Insulatıng Materıal Mfg Co,	10,531	--	--	--
Saint-Gobain Isover France	1,004	1,004	--	--
Saint-Gobain Alçı Sanayi ve Ticaret A,Ş,	203	203	--	--
Saint-Gobain Rigips Hellas S,A	--	--	53,279	--
Saint-Gobain Recherche	--	--	3,008	--
Saint-Gobain Isover Almanya	--	--	2,725	--
	6,583,362	**2,225,600**	**5,449,572**	**1,774,229**

25.4 Purchases from Related Parties

For the periods ended 30 September, purchases from related parties comprised the following:

	Ending 30 September 2011		Ending 30 September 2010	
	Nine months period	**Three months period**	**Nine months period**	**Three months period**
Saint-Gobain Weber	4,389,365	1,507,342	3,167,800	1,377,881
Saint-Gobain Isover (Royalite)	943,950	353,580	568,878	141,140
Grunzweig (Royalite)	674,444	138,520	484,953	77,402
Saint-Gobain Isover Almanya	17,419	17,419	--	--
Saint-Gobain Isover Austria GmbH	527	527	--	--
Saint-Gobain Isover France	1,073	1,073	5,665	5,665
	6,026,778	**2,018,461**	**4,227,296**	**1,602,088**

25.5 Other Transaction with Related Parties

For periods ended 30 September 2011 and 31 December 2010, other transactions with related parties comprised the following:

	30 September 2011	**31 December 2010**
Dividends paid		
İzocam Holding A.S.	27,278,769	26,632,280
Central Record Institution ("CRI")	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 periods ended 30 September remunerations to the top management are comprised the following:

	Ending 30 September 2011		Ending 30 September 2010	
Short term benefits:	**Nine months period**	**Three months period**	**Nine months period**	**Three months period**
(Salaries, premiums, housing, company cars, social securities, health insurance, vacation payments and etc.)	1,031,682	344,700	964,912	322,052
Other long term benefits:				
(Indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	204,129	(3,632)	150,291	(16,811)
TOTAL	**1,235,811**	**341,068**	**1,115,203**	**305,241**

26 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

26.1 Financial Risk Management

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

27 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

26.1 Financial Risk Management

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

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

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

26.1.1 Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party. The ownership of financial assets is campaigned by the risk that the other party does not fulfill the contract. The management of the Company covers these risks by limiting the average risk for other party (except related parties) in all contracts and receiving guarantees if necessary. The Company works thorough agency system within Turkey to a great extent. The Company minimizes the collection risk by the guarantee letters taken from agencies, liens and commitment notes received before the sale and controls the orders of agencies out of guarantee by comparing these guarantees received from the agencies with their receivables. Additionally, the Company guarantees its receivables through direct borrowing system by the agreements of various banks. The Company is exposed to credit risk amounting to TL 5,813,411 which is not covered by colleterals and DBS guarantees. Provisions made for doubtful receivables are within reasonable borders based on the past experiences of the Company in collection of accounts receivable. Therefore, the management does not foresee any additional risk relating to accounts receivable more than provisions made.

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

26.1 Financial Risk Management *(Continued)*

26.1.2 Liquidity risk

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

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

At 30 September 2011 the Company has guaranteed the receivables amounting to TL 92,696,500 via Direct Borrowing System aiming to avoid liquidity risk. The Company has also obtained factoring loans amounting to TL 4,186,356 and while making early collection; increases the liquidity position and avoids foreign exchange loss risk.

26.1.3 Market risk

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

Currency risk

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

Interest Rate Risk

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

26.2 Risk Management Disclosures

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

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

26.2.1 Interest rate risk

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

Fixed interest rate financial instruments		**30 September 2011**	**31 December 2010**
Cash and cash equivalents	Note 4	3,909,380	35,197,173
Bank borrowings	Note 5	4,186,356	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 30 September 2011 and 31 December 2010 are as follow:

	30 September 2011	**31 December 2010**
1. District Office (Marmara, West Black Sea Regions)	33,381,184	25,347,840
2. District Office (Central Anatolia, Middle Black Sea Regions)	11,949,029	10,600,472
4. District Office (Aegean and Mediterranean Sea Regions)	9,240,662	6,963,933
3. District Office (South East Anatolia, East Anatolia. East Black Sea Regions)	10,225,916	6,686,203
Middle East, Balkans. Africa and Others	5,517,449	6,216,177
	70,314,240	**55,814,625**

At 30 September 2011, the Company has a letter of guarantee amounting to TL 11,005,396 (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 12,388,822 (31 December 2010: TL 18,674,706), collaterals received as notes amounting to TL 1,029,946 (31 December 2010: TL 883,527) and direct borrowing system guarantees amounting to TL 92,696,500 (31 December 2010: TL 70,411,500). The Company does not have collaterals received as cash at 30 September 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)

30 September 2011	Receivables		Deposits on Banks	Other (Commitments given)
	Trade Receivables			
	Related Party	Others		
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**623,480**	**70,314,240**	**4,727,322**	**5,709,092**
A, Net carrying value of financial assets which are neither impaired nor overdue	623,480	63,633,669	4,727,322	--
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	--	6,680,571	--	--
-The portion covered by any guarantee	--	5,813,412	--	--
D, Net carrying value of impaired assets	--		--	--
-Past due (gross book value)	--	1,249,594	--	--
-Impairment (-)	--	(1,249,594)	--	--
-Covered portion of net book value (with letter of guarantee etc,)	--	--	--	--
E, Off balance sheet items with credit risks	--	--	--	5,709,092

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

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

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

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

26.2 Risk Management Disclosures *(Continued)*

26.2.2 Credit Risk (Continued)

For the period ended 30 September 2011 past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables	
30 September 2011	**Trade Receivables**	**Trade Receivables**
Past due 1-30 days	2,236,425	--
Past due 1-3 months	1,895,504	--
Past due 3-12 months	1,577,377	--
Past due 1-5 years	971,265	--
More than 5 years	--	--
The portion secured by guarantee**	5,813,412	--

* * 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**	**37,713,219**	**4,940,831**
A. Net carrying value of financial assets which are neither impaired nor overdue	**661,141**	**49,062,807**	**37,713,219**	--
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)

For the year ended 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 30 September 2011, the Company has guaranteed its receivables by letter of guarantee amounting to TL 885,787 (31 December 2010: TL 1,720,287), direct debit system guarantees amounting to TL 3,442,339 (31 December 2010: TL 3,511,829), mortgage amounting to TL 170,011 (31 December 2010: TL 56,806), Eximbank guarantee amounting to TL 1,315,275 (31 December 2010: TL 282,285). As at 30 September 2011, the Company does not have any cheque for guarantee (31 December 2010: TL 8,115). As at 30 September 2011, the Company does not have notes for guarantee (31 December 2010: None). For the period ended 30 September 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 5,709,092 (31 December 2010: TL 4,940,831) are given to custom offices, domestic suppliers, banks and tax offices.

26.2.4 Currency risk

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

As at 30 September 2011 and 31 December 2010, net position of the Company is resulted from foreign currency assets and liabilities:

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

26.2 Risk Management Disclosures *(Continued)*

26.2.4 Currency risk (continued)

FOREIGN CURRENCY POSITION								
	30 September 2011				31 December 2010			
	TL (Functional Currency)	USD	Euro	GBP	TL (Functional Currency)	USD	Euro	GBP
1.Trade receivables	4,586,270	2,485,380	--	--	11,501,302	6,171,202	954,840	1,700
2. Monetary financial assets	1,438,075	591,328	137,893	--	3,092,424	2,000,274	-	--
3.Current Assets	**6,024,345**	**3,076,708**	**137,893**	--	**14,593,726**	**8,171,476**	**954,840**	**1,700**
4.Total Assets	**6,024,345**	**3,076,708**	**137,893**	--	**14,593,726**	**8,171,476**	**954,840**	**1,700**
5.Trade payables	(2,661,292)	(553,468)	(651,897)	--	(2,211,270)	(833,976)	(449,926)	--
6.Financial liabilities	(4,186,356)	(1,489,005)	(571,887)	--	(6,988,395)	(3,593,074)	(699,577)	--
7.Short-term Liabilities	**(6,847,648)**	**(2,042,473)**	**(1,223,784)**	--	**(9,199,665)**	**(4,427,050)**	**(1,149,503)**	--
8.Total Liabilities	**(6,847,648)**	**(2,042,473)**	**(1,223,784)**	--	**(9,199,665)**	**(4,427,050)**	**(1,149,503)**	--
Total	**(823,303)**	**1,034,235**	**(1,085,891)**	--	**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		
30 September 2011		
USD: 1.8453		
Avro: 2.5157		
	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	190,847	(190,847)
2-USD risk averse portion (-)	--	--
3-Net USD Effect (1+2)	**190847**	**(190,847)**
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	(273,178)	273,178
5-Euro risk averse portion (-)	--	--
6- Net Euro Effect (4+5)	**(273,178)**	**273,178**
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)	**(82,330)**	**82,330**

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 periods ended 30 September 2011 and 2010, total import and export of the Company comprised the following:

	30 September 2011	30 September 2010
Total export	36,238,576	37,938,934
Total import	55,566,890	51,494,270

26.2.5 Liquidity risk

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

The below tables show the monetary liabilities of the Company according to their remaining maturities at 30 September 2011 and 31 December 2010:

	30 September 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	4,736,616	4,736,616	4,736,616	--	--	--
Trade and other payables	23,483,644	23,483,644	23,483,644	--	--	--
Due to related parties	532,852	532,852	--	532,852	--	--
Expense accruals	3,593,602	3,593,602	3,593,602		--	--
Other liabilities	177,979	177,979	177,979	--	--	--
Total accounts payable	**32,524,693**	**32,524,693**	**31,991,841**	**532,852**	--	--

	31 December 2010					
ACCOUNTS PAYABLE						
Short term financial payables	7,378,523	7,378,523	7,378,523	--	--	--
Trade and other payables	17,929,276	17,929,276	17,929,276	--	--	--
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	**28,054,779**	**28,054,779**	**27,756,748**	**298,031**	**--**	**--**

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