İzocam Ticaret ve Sanayi Anonim Şirketi

Convenience Translation into English of
Financial Statements As at and For the Three-Month Period Ended 31 March 2011

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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This report is 48 pages

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İzocam Ticaret ve Sanayi Anonim Şirketi

Balance Sheet as at 31 March 2011

Amounts expressed in TL unless otherwise stated.

	Note	Reviewed Current Period 31 March 2011	Audited Prior Period 31 December 2010
ASSETS			
Current Assets		**98,721,591**	**116,868,749**
Cash and Cash Equivalents	4	1,619,143	37,713,219
Accounts Receivables	6	63,242,327	56,475,766
Due From Related Parties	*25*	*1,147,008*	*661,141*
Other Accounts Receivable		*62,095,319*	*55,814,625*
Inventory	8	26,154,109	17,712,498
Other Current Assets	14	7,706,012	4,967,266
Non-Current Assets		**73,468,891**	**68,178,976**
Other Receivables	7	2,930	2,868
Property, Plant and Equipment	9	73,415,390	68,130,602
Intangible Assets	10	48,064	45,035
Other Non-Current Assets	14	2,507	471
TOTAL ASSETS		**172,190,482**	**185,047,725**
LIABILITIES			
Short-Term Liabilities		**40,477,684**	**31,610,582**
Bank Borrowings	5	14,108,514	7,378,523
Accounts Payable	6	21,569,222	18,213,399
Due To Related Parties	25	*649,045*	*298,031*
Other Accounts Payable		*20,920,177*	*17,915,368*
Other Payables	7	14,898	13,908
Taxes on Income	23	1,936,804	1,571,566
Expense Accruals	11	993,495	1,903,203
Other Short-Term Liabilities	14	1,759,891	2,432,121
Employee Benefits	13	94,860	97,862
Long-Term Liabilities		**5,432,743**	**5,151,523**
Employee Benefits	13	4,581,951	3,967,650
Deferred Tax Liability	23	850,792	1,183,873
EQUITY		**126,280,055**	**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		6,687,942	31,562,858
TOTAL LIABILITIES		**172,190,482**	**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 Three-Month Period Ended 31 March 2011

Amounts expressed in TL unless otherwise stated.

		Reviewed	
	Note	Current Period 31 March 2011	Prior Period 31 March 2010
Revenues	16	61,735,277	50,954,706
Cost of Sales (-)	16	(43,730,129)	(34,583,388)
GROSS PROFIT		**18,005,148**	**16,371,318**
Selling, Marketing and Distribution Expenses (-)	17	(7,567,649)	(7,210,184)
Administrative Expenses (-)	18	(2,785,087)	(2,865,430)
Other Operating Income	20	136,130	130,429
Other Operating Expense (-)	20	(74,137)	(169,469)
OPERATING PROFIT		**7,714,405**	**6,256,664**
Finance Income	21	1,145,285	1,395,711
Finance Costs (-)	22	(492,114)	(177,071)
PROFIT BEFORE TAX		**8,367,576**	**7,475,304**
Current Tax Expense	23	(2,012,715)	(1,823,874)
Deferred Tax Credit	23	333,081	307,390
NET PROFIT FOR THE PERIOD		**6.687.942**	**5,958,820**
Other Comprehensive Income		**--**	**--**
TOTAL COMPREHENSIVE INCOME		**6.687.942**	**5,958,820**
Earnings per share (“Kr”)	24	0.00273	0.00243

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Changes in Equity for the Three-Month Period Ended 31 March 2011

Amounts expressed in TL unless otherwise stated.

					Restricted Reserves					
	Notes	**Capital**	**Inflation Adjustment on Capital**	**Share Premium**	**Legal Reserves**	**Special Reserves**	**Total**	**Retained Earnings**	**Net Profit for the Year**	**Capital**
Balances at 1 January 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**	--	--	--	--	--	--	--	5,958,820	5,958,820
Total comprehensive income					**2,675,058**		**2,675,058**	**27,977,291**	**5,958,820**	**5,958,820**
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 31 March 2010		**24,534,143**	**25,856,460**	**1,092**	**24,358,839**	**46**	**24,358,885**	**41,972,182**	**5,958,820**	**122,681,582**
Balances at 1 January 2011		**24,534,143**	**25,856,460**	**1,092**	**24,358,839**	**46**	**24,358,885**	**41,972,182**	**31,562,858**	**148,285,620**
Total comprehensive income										
Net profit for the year	**15**	--	--	--	--	--	--	--	6,687,942	6,687,942
Total comprehensive income		--	--	--	--	--	**2,746,680**	**28,816,178**	***6,687,942***	***6,687,942***
Transfer to reserves	15	--	--	--	2,746,680	--	2,746,680	28,816,178	(31,562,858)	--
Transactions with owners, recorded directly in equity		--	--	--	--	--	--	--	--	--
Dividends to equity holder	**15**	--	--	--	--	--	--	(28,693,507)	--	(28,693,507)
Total transactions with owners		--	--	--	--	--	--	(28,693,507)	--	(28,693,507)
Balances at 31 March 2011		**24,534,143**	**25,856,460**	**1,092**	**27,105,519**	**46**	**27,105,565**	**42,094,853**	**6,687,942**	**126,280,055**

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

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İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Cash Flows for the Three-Month Period Ended 31 March 2011

Amounts expressed in TL unless otherwise stated.

	Note	Reviewed Current Period 31 March 2011	Reviewed Prior Period 31 March 2010
Cash flows from operating activities			
Net profit for the period		6,687,942	5,958,820
Adjustments to:			
Depreciation and amortization	9,10	2,864,212	2,978,231
Current tax expense	23	2,012,715	1,823,874
Deferred tax	23	(333,081)	(307,390)
Provision for employee severance indemnity	13	307,388	629,038
Provision for vacation pay liability	13	225,474	195,234
Finance income	21	(1,145,285)	(1,395,711)
Finance cost	22	302,139	31,158
Losses on sale of tangible assets-net	20	(42,924)	5,581
Allowance for bad debt receivables	6	--	159,533
Other non-monetary provisions		945,612	1,821,634
		11,824,192	**11,900,002**
Change in account receivables	6	(6,280,694)	(6,877,064)
Change in due from related parties	25	(485,867)	(1,060,163)
Change in blockage amount	4	994,196	(155,000)
Change in inventory	8	(8,441,611)	(1,848,538)
Change in other current assets	14	(2,749,082)	(458,310)
Change in accounts payable	6	3,004,809	(555,374)
Change in other non current assets		(2,036)	(1,211)
Change in due to related parties	25	339,912	(698,418)
Change in other payables		990	1,881
Change in other liabilities	14	(672,230)	(1,310,230)
Taxes paid		(1,647,477)	(2,008,708)
Interest paid		(48,035)	(31,158)
Employee severance indemnity paid	13	(158,751)	(247,254)
Provisions paid		(1,872,256)	(288,524)
Net cash from operating activities		**(6,193,940)**	**(3,638,069)**
Cash flows used in investing activities			
Acquisition of property, plant and equipment	9,10	(7,089,773)	(19,513)
Acquisition of intangible assets		(12,346)	(6,132)
Proceeds from sales of property, plant and equipment and intangible assets		142,837	--
Advances given for tangible assets	14	(1,139,486)	--
Investing activities		**(8,098,768)**	**(25,645)**
Financing activities			
Increase in bank borrowings and other financial liabilities		6,729,991	3,095,457
Dividend paid	15	(28,682,365)	(27,963,322)
Interest received, net		1,238,376	1,532,074
Cash flows used in financing activities		**(20,713,998)**	**(23,335,791)**
Change in cash and cash equivalents, net		(35,006,706)	(26,999,505)
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**	**379,438**	**18,632,852**

1 ORGANIZATION AND NATURE OF BUSINESS

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

As at 31 March 2011, by collection of shares traded on İstanbul Stock Exchange ("ISE") and collected shares of 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 31 March 2011, 38.84 percent of the shares of Izocam are publicly traded at ISE.

As at 31 March 2011, the average number of employees of the Company is 429 in which 187 (31 December 2010: 432) is comprised white collar employees and 242 (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:
E- 5 Üzeri Dilovası 41455 Kocaeli

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 composing 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 April 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 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.1 Basis of Presentation *(Continued)*

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 conversion except for the financial assets and liabilities which are expressed with their fair values.

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 material differences are explained in related notes (Note11, Note 16, Note 17, Note 18, Note 22 and Note 25).

For the period ended 31 March 2010, interest expenses related with severance indemnity that are presented under provision for employee severance indemnity in cash flow amounting to TL 62,664 has been reclassified under finance costs.

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 31 December 2010, 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 is disclosed in "New Standards and Interpretations Not Yet Adopted As at 31 March 2011".

IFRS 7 "Financial Instruments" is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial instruments. The amendment is effective for annual periods beginning on or after 1 January 2011 and it is not expected to 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 is not expected to 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 is not expected to 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 31 March 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 31 March 2011. Some new standards, amendments to standards and interpretations which are not effective as at 31 March 2011 have not been applied during the preparation of the accompanying financial statements.

As at 31 March 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.

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.

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 , be through sale.

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

2.4 Changes in IFRS

2.4.2. New Standards and Interpretations Not Yet Adopted as at 31 March 2011 (continued)

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.

2.5 Summary of Significant Accounting Policies

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 income statement. 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 instruments

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

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

Non derivative financial instruments consist of trade and other receivables, cash and cash equivalents, loans, trade and other payables, receivables and payables from related parties and short term liabilities. Non derivative financial instruments are recognized at their initial costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Accounts receivable and payables are measured on their initial costs after netting off the transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method by recognizing in the statement of income through the maturity of them. In case of a situation that the Company cannot collect an amount, an impairment provision is made for accounts receivable. Other than the doubtful receivables, an impairment provision is made for the accounts receivable that are overdue in the relevant period or in the process of legal follow up or notified in written statement to the counter parties more than once. In respect of receivables, impairment losses are reversed if there is a subsequent increase in the recoverable amount of that receivable and such kind of subsequent increase can be associated with the subsequent events after the impairment loss has been recognized.

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.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.2 Financial instruments (Continued)

Non-derivative financial instruments (continued)

Short term accounts receivables and payables are measured at cost.

Financial liabilities are recognized on their initial costs after netting off the transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method by recognising the differences between the initial costs in the statement of income through the maturity of the financial liabilities.

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Other non-financing derivative instruments are measured at fair value by recognising the differences in fair value of the instrument in statement of income.

Financial instruments are derecognized when the Company's right to receive the cash flows from the financial asset based on an agreement ends or when the Company loses control on that financial asset, or when the risk and the gains from that asset are transferred to another party. The ordinary purchase or sale of the financial assets is recognized on the date that the Company commits to buy or sell. Financial liabilities are derecognized when they are expired, delayed or paid.

As at 31 March 2011, the Company has no derivative financial instruments (31 December 2010: None).

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 statement of comprehensive income 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 financial year 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).

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 financial year end and adjusted if appropriate.

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

2.5 Significant Accounting Policies *(Continued)*

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 statement of comprehensive income with straight line method through the term of the lease.

2.5.6 Inventories

Inventories are valued 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. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The Company considers evidences of impairment for receivables at both a specific asset or on collective level. All individually significant receivables are assessed for specific impairment. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. The reversal of the impairment in respect of the discounted financial assets is recognized in the statement of income.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.7 Impairment of assets (Continued)

Non-financial assets

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

Impairment losses are recognized if the carrying amount of the assets or the cash generating unit exceeds its estimated recoverable amount. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Impairment losses are recognized in the statement of income. 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.

The recoverable amount of an asset or cash generating unit 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 that asset.

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

2.5.8 Employee benefits

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

The Company makes compulsory premium payments to the Social Security Institution and does not have any other liabilities. 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 income statement 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 represented as netted. 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 accounts.

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 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 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 statement of comprehensive income 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 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 31 March 2011 and 31 December 2010, cash and cash equivalents comprised the following:

	31 March 2011	**31 December 2010**
Banks		
Time deposit	--	*35,197,173*
Demand deposit	*178,003*	*205,208*
Cheques at collection	200,566	76,484
Cash at blockage*	1,239,705	2,233,901
Other cash equivalents	869	453
	1,619,143	**37,713,219**

* As at 31 March 2011, cash and cash equivalents consist of cash at blockage amounting to TL 1,239,705. At 17 March 2010, the Company has started to use Direct Borrowing System ("DBS") which reduces the collection risk and guarantee letter expenses. In accordance with the arrangaments made with various banks, instead of the Company, the bank sets a credit limit to customers and the collection is performed by the bank. After the collection, the bank keeps the payments received at blockage.

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

	31 March 2011	**31 December 2010**
TL	125,796	205,208
American Dollar ("USD")	52,207	--
	178,003	**205,208**

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

	31 March 2011	**31 December 2010**
TL	--	32,104,749
USD	--	3,092,424
Euro	--	--
	--	**35,197,173**

At 31 March 2011, there is no time deposit. (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 31 March are comprised the followings:

	2011	**2010**
Banks		
Time deposit	--	*16,103,673*
Demand deposit	*178,003*	*2,071,364*
Cheques at collection	200,566	460,759
Cash at blockage	1,239,705	155,000
Other cash equivalents	869	729
Less: Interest accruals	--	(3,673)
Less: Cash at blockage	(1,239,705)	(155,000)
	379,438	**18,632,852**

5 BANK BORROWINGS

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

	31 March 2011	**31 December 2010**
Factoring loans	**4,557,342**	**6,988,395**
USD	*3,484,801*	*5,554,892*
Euro	*1,072,541*	*1,433,503*
Bank borrowings	**9,551,172**	**390,128**
TL	*9,551,172*	*390,128*
	14,108,514	**7,378,523**

As at 31 March 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 six month maturity with 8.60 percent and 7.45 percent interest rates. As at 31 March 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 31 March 2011 and 31 December 2010, short-term accounts receivables comprised the followings:

	31 March 2011	**31 December 2010**
Accounts receivable	53,852,530	47,044,072
Cheques receivable	9,377,798	9,310,924
Notes receivable	11,999	120,770
Doubtful receivables	1,102,593	1,104,337
Less: Allowance for doubtful receivables	(1,102,593)	(1,104,337)
	63,242,327	**56,475,766**

At 31 March 2011, TL 1,147,008 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 70 days (31 December 2010: 71 days) which can change according to the type of the product and the provisions of the agreement with the customer.

6 ACCOUNTS RECEIVABLE AND PAYABLE *(CONTINUED)*

6.1 Short-Term Accounts Receivable *(Continued)*

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

	31 March 2010		31 December 2010	
	Cheques	Notes Receivable	Cheques	Notes Receivable
0 - 30 days	3,834,954	11,999	3,865,239	79,500
31 - 60 days	3,162,676	--	2,914,454	30,000
61- 90 days	1,638,729	--	1,651,441	--
91 days and over	741,439	--	879,790	11,270
Total	**9,377,798**	**11,999**	**9,310,924**	**120,770**

At 31 March 2011 and 31 December 2010, the movement of allowance for doubtful receivables comprised the followings:

	31 March 2011	31 December 2010
Beginning balance	1,104,337	1,325,530
Provision for the year	--	409,698
Collections during the year	(1,744)	(17,845)
Write offs	--	(613,046)
Period end	**1,102,593**	**1,104,337**

6.2 Short-Term Accounts Payable

At 31 March 2011, short-term accounts payable amounts to TL 21,569,222 (31 December 2010: TL 18,213,399) arising from payable to various suppliers.

At 31 March 2011, TL 649,045 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 31 March 2011, long-term receivables comprised deposits and collaterals amounting to TL 2,930 (31 December 2010: TL 2,868).

7.2 Short-Term Other Payables

At 31 March 2011, short-term other payables amounting to TL 14,898 (31 December 2010: TL 13,908) comprised the other personnel payables.

8 INVENTORIES

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

	31 March 2011	31 December 2010
Raw materials and supplies	17,620,800	12,117,958
Finished goods	7,857,748	4,921,636
Trading goods	675,561	672,904
	26,154,109	**17,712,498**

As at 31 March 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 31 March 2011 movement in the property, plant and equipment comprised the following:

Cost	*1 January 2011*	*Additions*	*Disposals*	*31 March 2011*
Land	815,031	--	(99,800)	715,231
Land improvements	4,586,428	--	--	4,586,428
Buildings	33,899,659	--	--	33,899,659
Machinery and equipment	170,096,719	1,154,728	(131,742)	171,119,705
Furniture and fixtures	7,356,732	3,948	(594,337)	6,766,343
Leasehold improvements	56,540	16,335	--	72,875
Construction in progress	19,096,810	7,064,584	--	26,161,394
	235,907,919	**8,239,595**	**(825,879)**	**243,321,635**

Less: Accumulated depreciation	*1 January 2011*	*Charge for the period*	*Disposals*	*31 March 2011*
Land improvements	(2,676,516)	(41,202)	--	(2,717,717)
Buildings	(19,717,115)	(257,935)	--	(19,975,050)
Machinery and equipment	(138,581,282)	(2,492,645)	131,742	(140,942,185)
Furniture and fixtures	(6,757,204)	(61,869)	594,224	(6,224,849)
Leasehold improvements	(45,200)	(1,244)	--	(46,44 4)
Total accumulated depreciation	**(167,777,317)**	**(2,854,895)**	**725,966**	**(169,906,245)**
Net book value	**68,130,602**			**73,415,390**

For the period ended 31 March 2011, depreciation expenses amounting to TL 2,214,087 (31 March 2010: TL 2,270,514) has been recognized under cost of sales, TL 44,060 (31 March 2010: TL 46.065) has been included under administrative expenses and TL 596,748 (31 March 2010: TL 652,299) has been capitalized on stocks.

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

For the period ended 31 March 2011 and year ended 31 December 2010, the Company utilizes tangible assets which have nil net book value on its accounts. (31 March 2011 Cost: TL 102,832,767, Accumulated Depreciation: TL 102,832,767; 31 December 2010 Cost: TL 103,728,716, Accumulated Depreciation: TL 103,728,716).

Advances given for fixed assets amounting to TL1,149,822 of TL 2,752,675 has been transferred to fixed assets as at 31 March 2011.

9 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

At 31 December 2010, movement in the property, plant and equipment comprised the following:

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

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

10 INTANGIBLE ASSETS

At 31 March 2011, movement in the intangible assets comprised the following:

Cost	1 January 2011	Additions	31 March 2011
Software rights	708,673	12,346	721,019
	708,673	**12,346**	**721,019**

Less: Accumulated amortization	1 January 2011	Charge for the period	31 March 2011
Software rights	(663,638)	(9,317)	(672,955)
Total accumulated amortization	**(663,638)**	**(9,317)**	**(672,955)**
Net book value	**45,035**		**48,064**

At 31 December 2010, movement in the intangible assets comprised the following:

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

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

10 INTANGIBLE ASSETS *(CONTINUED)*

At 31 March 2011, amortization expenses amounting to TL 9,317 (31 March 2010: TL 9,353) have been included in administrative expenses.

At 31 March 2011 and year ended 31 December 2010, the Company utilizes intangible assets which have nil net book value on its accounts (31 March 2011 Cost: TL 591,867, Amortization: TL 591,867; 31 December 2010 Cost: TL 573,588, Amortization: TL 573,588).

11 EXPENSE ACCRUAL

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

	31 March 2011	**31 December 2010**
Provisions for personnel premium	962,548	--
Provisions for litigations	30,947	30,947
Other administrative expense accruals	--	1,872,256
	993,495	**1,903,203**

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

	1 January 2011	***Additions***	***Payments***	***Reversal***	***31 March 2011***
Provisions for personnel premium	--	962,548	--	--	962,548
Provisions for litigations	30,947	--	--	--	30,947
Other administrative expense accruals (*)	1,872,256	--	(1,872,256)	--	--
	1,903,203	**962,548**	**(1,872,256)**	**--**	**993,495**

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

	1 January 2010	***Additions***	***Payments***	***Reversal***	***31 December 2010***
Provisions for personnel premium	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
Other administrative expense accruals (*)	434,088	--	(434,088)	--	--
	3,193,457	**1,903,203**	**(2,864,029)**	**(329,428)**	**1,903,203**

(*) As at 31 March 2011, other administrative expense accruals are comprised natural gas expense accrual, provision for various general administrative expenses, advertising expenses and discount provisions**.**

(**) In accordance with the decision of "Turkish Competition Board" meeting held at 8 February 2010 numbered 10 – 14, the Company was fined on administrative basis amounting to TL 1,317,714 due to the investigation in respect of the 4054 numbered Protection of Competition law's article 6. The Company has the right to claim against the decision. The administrative fine which is equal to 0.5 percent of gross revenue of 31 December 2008 has been recorded as provision in the financial statements as at 31 December 2009. The Company preferred to pay the fine with a 25 percent discount and paid amounting to TL 988,286 in cash, which represents 75 percent of TL 1,317,714 on 28 June 2010. This payment does not restrict the right to claim against the decision. On 19 August 2010 the Company claimed against the decision, however as at 31 December 2010, there is not any progress in the case.

12 COMMITMENTS

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

The commitments given;

For companies other than publicly owned associations and financial institutions;

i) For their own corporate identities

ii) In favor of fully consolidated associations

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

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

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

	31 March 2011	**31 December 2010**
A Commitments given in the name of own legal Entity	5,253,834	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	**5,253,834**	**4,940,831**

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

	31 March 2011	**31 December 2010**
1. year	454,693	569,437
2. year	606,258	569,437
3. year	203,655	191,285
	1,264,606	**1,330,159**

As at 31 March 2011, loan limits and terms to maturities have been determined by associative 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 is entitled to engage legal proceedings for related customer.

13 EMPLOYEE BENEFITS

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

	31 March 2011	**31 December 2010**
Provision for employee severance indemnity	3,287,925	2,885,184
Long term portion of vacation pay liability	1,294,026	1,082,466
Long term portion of employee benefit	**4,581,951**	**3,967,650**
Short term portion of vacation pay liability	94,860	97,862
	4,676,811	**4,065,512**

Provision for employee severance indemnity has been set as follows:

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

The severance pay is calculated as one month gross salary for every employment year and as at 31 March 2011 the ceiling amount has been limited to TL 2,623.23 (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:

	31 March 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:

	31 March 2011	**31 December 2010**
Opening balance	2,885,184	2,520,231
Interest cost	254,104	564,957
Cost of services	226,462	211,975
Payments made during the period	(158,751)	(820,629)
Actuarial difference	80,926	408,650
Ending balance	**3,287,925**	**2,885,184**

Actuarial difference arises from the changes in interest rates and changes in expectations about the salary increases. In addition to that, the number of employees that receive their indemnity before retirement increased the difference. Actuarial differences are recorded as incurred. As at 31 March 2011, cost of services TL 116,913 portion of actuarial difference is recorded as general administrative expenses (31 December 2010: TL 190,610), TL 190,475 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 ended 31 December is as follows:

	31 March 2011	31 December 2010
Opening balance	1,180,348	944,425
Additions during the period	225,474	527,152
Reversal	(16,936)	(291,249)
Ending balance	**1,388,886**	**1,180,328**

14 OTHER ASSETS AND LIABILITIES

14.1 Other Current Assets

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

	31 March 2011	31 December 2010
Advances given for fixed asset (*)	2,742,339	2,752,675
Advances given for inventory	2,263,909	470,094
Deductable VAT	1,925,437	311,226
Prepaid expenses	642,933	89,745
VAT for export receivables	97,672	216,509
Job advances	23,307	4,356
Job advances given (**)	7,625	929,495
Other receivables	2,790	193,166
	7,706,012	**4,967,266**

(*) At 31 March 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 production line that will be built in Tarsus factory.

(**) At 31 March 2011, TL 928,815 of the job advances given represents the advances given for the construction of the new factory in ‘‘Kocaeli-Gebze V (Kimya) Organize Sanayi Bölgesi’’.

14.2 Other Non-Current Assets

At 31 March 2011, non-current assets amounting to TL 2,507 (31 December 2010: TL 471) comprised long term portion of prepaid assets.

14.3 Other Short-Term Liabilities

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

	31 March 2011	31 December 2010
Withholding taxes and duties	582,667	1,310,577
Expense accruals	419,094	456,622
Social security premium payable	383,103	371,711
VAT payable	226,527	204,087
Retirement pension plan payables	85,476	79,218
Other	63,024	9,906
	1,759,891	**2,432,121**

15 EQUITY

15.1 Paid-in Capital / Inflation Adjustment on Capital

At 31 March 2011, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (31 December 2010: 2.453.414.335 shares of kr 1 each) of kr 1 each. There are no privileges given to different groups or shareholders. The shareholder structure of the Company is as follows:

	31 March 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:

31 March 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	21,013,242	(1,496,872)	19,516,370
	48,119,899	**22,368,489**	**70,488,388**
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 31 March 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 31 March 2011 and 31 December 2010, according to the matters above the equity accounts of the Company per CMB's announcement Serial XI, Number 29 are:

	31 March 2011	**31 Decemeber 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	6,687,942	31,562,858
	126,280,055	**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 31 March 2011, TL 28,682,365 of TL 28,693,507 total dividend has been paid and the remaining portion amounting to TL 11,142 have been classified to due to related parties.

16 SALES AND COST OF SALES

For the periods ended 31 March, sales and cost of sales comprised the following:

	2011	**2010**
Domestic sales	54,345,502	41,169,241
Export sales	11,075,209	12,900,457
Other	22,996	27,400
Gross sales	65,443,707	54,097,098
Less: Sales returns and discounts	(3,708,430)	(3,142,392)
Net sales	61,735,277	50,954,706
Less: Cost of sales(*)	(43,730,129)	(34,583,388)
Gross profit	**18,005,148**	**16,371,318**

For the periods ended 31 March, the nature of the cost of sales comprised the following:

	2011	**2010**
Raw materials consumables used	40,791,039	27,919,472
Personnel expenses	3,663,770	3,067,697
Depreciation	2,214,087	2,270,514
Changes in inventories	(2,938,767)	1,325,705
Cost of Sales	**43,730,129**	**34,583,388**

For the period ended 31 March 2010, interest expenses related with employee severance indemnity provision presented under cost of sales amounting to TL 62,664 have been reclassified under finance expense.

*For the period ended 31 March 2010, other operating expenses and other operating revenues related with employee severance indemnity provision presented under cost of sales amounting to TL 11,566 and TL 1,022 have been reclassified under finance expense respectively.

17 SELLING, MARKETING AND DISTRIBUTION EXPENSES

For the periods ended 31 March, selling, marketing and distribution expenses comprised the following:

	2011	**2010**
Freight insurance expense	3,220,334	3,097,111
Wages and salaries	1,327,264	1,443,138
License expense	857,758	577,717
Advertisement expense	646,950	611,550
Storage expense	332,214	268,659
Dealer expenses	255,500	156,750
Transportation expenses	193,586	139,183
Sales commissions	164,447	359,461
Guarantee letter expenses	119,641	162,576
Travel expenses	85,366	51,199
Exhibition and fair expense	82,531	103,800
Rent expenses (*)	71,750	37,393
Public relation expenses (**)	24,819	27,500
Other	185,489	174,147
	7,567,649	**7,210,184**

(*) For the period ended 31 March 2010, rent expenses presented under administrative expenses amounting to TL 37,393, have been reclassified under selling and marketing expenses. Rent expenses consist of the rent paid for the sales offices which are outside of the central office.

(**) For the period ended 31 March 2010, public relation expenses presented under administrative expenses amounting to TL 27,500 have been reclassified under selling and marketing expenses. These expenses are composed of the press and information, measurement and assessment expenses realized to strengthen the Company’s public relations.

18 ADMINISTRATIVE EXPENSES

For the periods ended 31 March, administrative expenses comprised the following:

	2011	**2010**
Personnel expenses	1,708,168	1,738,554
IT Expenses	109,680	108,620
Transportation expenses	89,395	75,878
Litigation costs	81,181	56,536
Consultancy expense	76,061	74,246
Subscription fees	71,843	33,797
Depreciation and amortization (Note 9 and 10)	53,377	55,418
Repair, maintenance and energy	49,704	77,936
Communication expense	47,344	42,086
Representation expenses	39,411	33,063
Insurance expense	30,888	25,330
Duties, taxes and levies	26,718	20,868
Travel expense	23,955	17,956
General assembly expenses	19,251	19,148
Stationary expenses	12,775	10,374
Donations	4,300	3,850
Other	341,036	471,770
	2,785,087	**2,865,430**

For the period ended 31 March 2010, rent expenses presented under administrative expenses amounting to TL 37,393, have been reclassified under selling and marketing expenses. Rent expenses consist of the rent paid for the sales offices which are outside of the central office.

For the period ended 31 March 2010, public relation expenses presented under administrative expenses amounting to TL 27,500, have been reclassified under selling and marketing expenses. These expenses are composed of the press and information, measurement and assessment expenses realized to strengthen the Company's public relations.

19 EXPENSES BY NATURE

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

20 OTHER OPERATING INCOME/EXPENSE

20.1 Other Operating Income

For the periods ended 31 March, other operating income comprised the following:

	2011	**2010**
Gain on sale of property, plant and equipment	56,531	--
Other provisions no longer required	32,437	100,048
Collections from insurance contracts	27,910	--
Other operating expenses	19,252	30,381
	136,130	**130,429**

At 31 March, other operating income is composed of income from no-claims discount, loss payments for tangible assets and incentive for attending in a fair.

For the period ended 31 March 2010, other operating expenses and other operating income related with additional cost of sales related with cost of sales presented under cost of sales amounting to TL 11,566 and TL 1,022 have been reclassified under finance expense respectively.

20.2 Other Operating Expense

For the periods ended 31 March, other operating expense comprised the following:

	2011	**2010**
Salvage Costs	38,591	197
Loss on sale of property, plant and equipment	13,607	5,581
Provision for doubtful receivables	--	153,533
Other	21,939	10,158
	74.137	**169,469**

For the period ended 31 March 2011, the amount of donations given to associations and charitable foundations is amounting to TL 4,300 and (31 March 2010: TL 3,850).

21 FINANCE INCOME

For the periods ended 31 March, finance income comprised the following:

	2011	2010
Interest income on time deposits	732,412	609,921
Interest income on sales on credit terms	412,873	785,790
	1,145,285	**1,395,711**

22 FINANCE EXPENSE

For the periods ended 31 March, finance expense comprised the following:

	2011	2010
Interest expense on borrowings	302,139	93,822
Foreign exchange losses	189,975	83,249
	492,114	**177,071**

(*) For the period ended 31 March 2010, interest expenses related with severance indemnity presented under cost of sales amounting to TL 62,664 has been reclassified under finance expense.

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 June 2006, corporate tax rate is reduced from 30 percent to 20 percent. Accordingly, effective from 1 January 2006, statutory income is subject to corporate tax at 20 percent.

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

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

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

23 TAX ASSETS AND LIABILITIES *(CONTINUED)*

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

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

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.
At 31 March, total tax liability comprised the following:

	2011	**2010**
Corporate tax provision	2,012,715	8,513,543
Prepaid tax	(75,911)	(6,941,977)
Total	1,936,804	1,571,566
Deferred tax liability	850,792	1,183,873
	2,787,596	**2,755,439**

For the periods ended 31 March, taxation charge in the income statement comprised the following:

	2011	**2010**
Current tax	(2,012,715)	(1,823,874)
Deferred tax credit	333,081	307,390
	(1,679,634)	**(1,516,484)**

The reported taxation charge for the periods ended 31 March 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	8,367,576	--	7,475,304	--
Tax rate	20,00	--	20,00	--
Taxes on reported profit per statutory tax rate	(1,673,515)	(20.00)	(1,495,061)	(20.00)
Disallowable expenses	(6,115)	(0.07)	(16,249)	(0.22)
Investment allowance utilized	--	--	--	--
Other	(4)	0.07	(5,174)	(0.07)
Tax provision	**(1,679,634)**	**(20.07)**	**(1,516,484)**	**(20.29)**

23 TAX ASSETS AND LIABILITIES *(CONTINUED)*

23.1 Deferred Tax Assets and Liabilities

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

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

Deferred tax assets and deferred tax liabilities at 31 March 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	657,585	--	577,037	--
Vacation pay liability	277,777	--	236,066	--
Unrecognized interest expense	63,798	--	37,456	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	765,205	(2,495,807)	-	(2,034,432)
Reversal of calculated rediscount expenses according to tax regulations	--	--	--	--
Provisions for doubtful receivables	--	(119,350)		
Offsetting	1,764,365	(2,615,157)	850,559	(2,034,432)
	(1,764,365)	1,764,365	(850,559)	850,559
	--	**(850,792)**	**--**	**(1,183,873)**

The movement of deferred tax liabilities is as follow:

	1 January 2010	**Profit or (loss)**	**31 December 2010**	**Profit or (loss)**	**31 March 2011**
Employee severance indemnity	504,046	72,991	577,037	80,548	657,585
Vacation pay liability	188,885	47,181	236,066	41,711	277,777
Unrecognized interest expense	28,634	8,822	37,456	26,342	63,798
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(2,568,429)	533,997	(2,034,432)	303,830	(1,730,602)
Amortization of inventory	--	--	--	(119,350)	(119,350)
Reversal of calculated rediscount expenses according to tax regulations	(79,891)	79,891	--	--	--
Provisions for doubtful receivables	77,925	(77,925)	--	--	--
	(1,848,830)	**664,957**	**(1,183,873)**	**333,081**	**(850,792)**

24 EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the year ended 31 March 2011 amounting to TL 6,687,942 (31 March 2010: TL 5,958,820) to the weighted average of the shares during these periods.

	2011	**2010**
Net Profit	6,687,942	5,958,820
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335
Earnings per share (Kr per share)	0.00273	0.00243

25 RELATED PARTIES

25.1 Due from Related Parties

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

	31 March 2011	**31 December 2010**
Saint-Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret Anonim Şirketi (“Saint-Gobain Weber”)	1,087,531	559,376
Saint Gobain Isover Italia S.P.A.	59,477	93,028
Rigips Hellas SA. (Saint Gobain)	--	8,737
	1,147,008	**661,141**

As at 31 March 2011 collaterals amounting to TL 14,399 are taken from related parties (31 December 2010: TL 13,038).

25.2 Due to Related Parties

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

	31 March 2011	**31 December 2010**
Grunzweig Hartman AG (“Grunzweig”)	287,788	143,758
Saint Gobain-Isover (Royalty)	270,514	74,570
Saint-Gobain Weber	--	--
Other	90,743	79,703
	649,045	**298,031**

25 RELATED PARTIES *(CONTINUED)*

25.3 Sales to Related Parties

For the periods ended 31 March, sales to related parties comprised the following:

	2011	2010
Saint-Gobain Weber	1,328,080	1,028,042
Saint Gobain Isover Italia S.P.A.	59,058	518,239
Saint Gobain Construction Products - Hellas Abee	15,428	73,551
Saint Gobain Rigips Hellas S.A	--	53,279
Saint Gobain Recherche	--	--
Saint Gobain Isover Germany	--	2,725
Isover	--	--
	1,402,566	**1,675,836**

25.4 Purchases from Related Parties

For the periods ended 31 March, purchases from related parties comprised the following:

	2011	2010
Saint-Gobain Weber	630,861	298,740
Saint Gobain Isover (Royality)	300,571	199,068
Grunzweig (Royality)	359,735	241,115
Saint-Gobain Glass İtalia	527	--
Saint Gobain Isover France	--	--
Saint Gobain Isover Germany	--	--
	1,291,694	**738,923**

25.5 Other Transaction with Related Parties

For periods ended 31 March, other transactions with related parties comprised the following:

	2011	2010
Dividends paid		
İzocam İzolasyon	27,278,769	26,632,280
Central Record Institution ("CRI")	1,403,596	1,331,042
Other	--	2,867
	28,682,365	**27,966,189**

25.6 Remuneration to Top Management

For the periods ended 31 March remunerations to the top management are comprised the following:

	2011	2010
Short term benefits:		
(Salaries, premiums, housing, company cars, social securities, health insurance, vacation payments and etc.)	343,173	320,716
Other long term benefits:		
(Indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	210,487	17,076
TOTAL	**553,660**	**337,792**

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.

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

26.1 Financial Risk Management *(Continued)*

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 10,470,722 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.

26.1.2 Liquidity risk

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

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

At 31 March 2011 the Company has guaranteed the receivables amounting to TL 80,885,500 via Direct Borrowing System aiming to avoid liquidity risk. The Company has also obtained factoring loans amounting to TL 4,557,342 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 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

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.

26.2.1 Interest rate risk

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

Fixed interest rate financial instruments		**31 March 2011**	**31 December 2010**
Cash and cash equivalents	Note 4	--	35,197,173
Bank borrowings	Note 5	14,108,514	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 11 percent of the Company's revenue is attributable to sales transactions with a single customer.

The geographical concentration of receivables excluding related parties exposed to the credit risk at 31 March 2011 and 31 December 2010 are as follow:

	31 March 2011	**31 December 2010**
1. District Office (Marmara, West Black Sea Regions)	29,523,730	25,347,840
2. District Office (Central Anatolia, Middle Black Sea Regions)	11,223,496	10,600,472
4. District Office (Aegean and Mediterranean Sea Regions)	9,610,118	6,963,933
3. District Office (South East Anatolia, East Anatolia. East Black Sea Regions)	6,496,565	6,686,203
Middle East, Balkans. Africa and Others	5,241,410	6,216,177
	62,095,319	**55,814,625**

At 31 March 2011, the Company has a letter of guarantee amounting to TL 13,407,863 (31 December 2010: TL 16,699,227), mortgage amounting to TL 2,299,000 (31 December 2010: TL 2,349,000), Eximbank guarantee amounting to TL 11,655,237 (31 December 2010: TL 18,674,706), collaterals received as notes amounting to TL 980,404 (31 December 2010: TL 883,527) and direct debit system guarantees amounting to TL 80,885,500 (31 December 2010: TL 70,411,500). The Company does not have collaterals received as cash at 31 March 2011 (31 December 2010: None).

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

26.2 Risk Management Disclosures *(Continued)*

26.2.2 Credit risk (continued)

	Receivables			
	Trade Receivables			
31 March 2011	**Related Party**	**Others**	**Deposits on Banks**	**Other (Commitments given)**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**1,147,008**	**62,095,319**	**178,003**	**5,253,834**
A, Net carrying value of financial assets which are neither impaired nor overdue	**1,147,008**	**56,086,346**	**178,003**	--
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	--	6,008,973	--	--
-The portion covered by any guarantee	--	5,147,715	--	--
D, Net carrying value of impaired assets	--	--	--	--
-Past due (gross book value)	--	1,102,593	--	--
-Impairment (-)	--	(1,102,593)	--	--
-Covered portion of net book value (with letter of guarantee etc,)	--	--	--	--
E, Off balance sheet items with credit risks	--	--	--	5,253,834

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

	Receivables	
31 March 2011	**Trade Receivables**	**Trade Receivables**
Past due 1-30 days	1,782,405	--
Past due 1-3 months	2,665,772	--
Past due 3-12 months	1,560,796	--
Past due 1-5 years	--	--
More than 5 years	--	--
The portion secured by guarantee**	5,147,715	--

* * 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 31 March 2011, the Company has guaranteed its receivables by letter of guarantee amounting to TL 841,055 (31 December 2010: TL 1,720,287), direct debit system guarantees amounting to TL 2,994,838 (31 December 2010: TL 3,511,829), mortgage amounting to TL 44,405 (31 December 2010: TL 56,806), Eximbank guarantee amounting to TL 1,267,417 (31 December 2010: TL 282,285). As at 31 March 2011, the Company does not have any cheque for guarantee (31 December 2010: TL 8,115). As at 31 March 2011, the Company does not have notes for guarantee (31 December 2010: None). For the period ended 31 March 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 5,253,834 (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 31 March 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								
	31 March 2011				31 December 2010			
	TL (Functional Currency)	USD	Euro	GBP	TL (Functional Currency)	USD	Euro	GBP
1.Trade receivables	12,007,250	6,431,375	939,472	--	11,501,302	6,171,202	954,840	1,700
2. Monetary financial assets	52,207	33,719	-	--	3,092,424	2,000,274	--	--
3.Current Assets	**12,059,457**	**6,465,094**	**939,472**	**--**	**14,593,726**	**8,171,476**	**954,840**	**1,700**
4.Total Assets	**12,059,457**	**6,465,094**	**939,472**	**--**	**14,593,726**	**8,171,476**	**954,840**	**1,700**
5.Trade payables	(2,681,642)	(888,448)	(598,670)	--	(2,211,270)	(833,976)	(449,926)	--
6.Financial liabilities	(4,557,342)	(2,250,727)	(491,630)	--	(6,988,395)	(3,593,074)	(699,577)	--
7.Short-term Liabilities	**(7,238,984)**	**(3,139,175)**	**(1,090,300)**	**--**	**(9,199,665)**	**(4,427,050)**	**(1,149,503)**	**--**
8.Total Liabilities	**(7,238,984)**	**(3,139,175)**	**(1,090,300)**	**--**	**(9,199,665)**	**(4,427,050)**	**(1,149,503)**	**--**
Total	**4,820,473**	**3,325,919**	**(150,828)**	**--**	**5,394,061**	**3,744,426**	**194,663**	**1,700**

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

26.2 Risk Management Disclosures *(Continued)*

26.2.4 Currency risk (continued)

Currency Sensitivity Analysis		
31 March 2011		
USD: 1.5483		
Avro: 2.1816		
	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	514,952	(514,952)
2-USD risk averse portion (-)	--	--
3-Net USD Effect (1+2)	**514,952**	**(514,952)**
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	(32,905)	32,905
5-Euro risk averse portion (-)	--	--
6- Net Euro Effect (4+5)	**(32,905)**	**32,905**
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)	**482,047**	**(482,047)**

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

	31 March 2011	31 December 2010
Total export	11,075,209	49,774,957
Total import	13,787,225	62,520,093

26.2.5 Liquidity risk

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

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

	31 March 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	14,108,514	14,245,061	4,557,342	9,687,719	--	--
Trade and other payables	20,935,075	20,935,075	20,935,075	--	--	--
Due to related parties	649,045	649,045	--	649,045	--	--
Expense accruals	993,495	993,495		993,495		
Other liabilities	1,759,891	1,759,891	1,759,891	--	--	--
Total accounts payable	**38,446,020**	**38,582,567**	**27,252,308**	**11,330,259**	--	--

	31 December 2010					
ACCOUNTS PAYABLE						
Short term financial payables	357,214	357,214	357,214	--	--	--
Trade and other payables	15,528,126	15,528,126	15,528,126	--	--	--
Due to related parties	1,181,093	1,181,093	--	1,181,093	--	--
Expense accruals	3,193,457	3,193,457	--	3,193,457	--	--
Other liabilities	1,605,941	1,605,941	1,605,941	--	--	--
Total accounts payable	**21,865,831**	**21,865,831**	**17,491,281**	**4,374,550**	**--**	**--**

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