

**İzocam Ticaret ve Sanayi  
Anonim Şirketi**  
Convenience Translation into  
English of  
Interim Financial Statements As  
at and For the Nine-Month  
Period Ended 30 September  
2010

This report is 52 pages.  
27 October 2010

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**İzocam Ticaret ve Sanayi Anonim Şirketi**  
**Interim Balance Sheet as at 30 September 2010**

*Amounts expressed in TL unless otherwise stated.*

	<b>Note</b>	<b>Unaudited Current Period 30 September 2010</b>	<b>Audited Prior Period 31 December 2009</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>133,208,907</b>	<b>114,542,147</b>
Cash and Cash Equivalents	4	21,014,414	45,772,392
Accounts Receivables	6	66,336,197	48,909,675
<i>Due From Related Parties</i>	25	731,979	523,175
<i>Other Accounts Receivable</i>		65,604,218	48,386,500
Inventory	8	24,909,727	17,203,638
Other Current Assets	14	20,948,569	2,656,442
<b>Non-Current Assets</b>		<b>51,023,983</b>	<b>59,345,931</b>
Other Receivables	7	2,868	2,868
Property, Plant and Equipment	9	50,900,829	59,265,725
Intangible Assets	10	54,729	77,338
Other Non-Current Assets	14	65,557	--
<b>TOTAL ASSETS</b>		<b>184,232,890</b>	<b>173,888,078</b>
<b>LIABILITIES</b>			
<b>Short-Term Liabilities</b>		<b>37,776,010</b>	<b>23,949,133</b>
Bank Borrowings	5	5,505,901	357,214
Accounts Payable	6	24,577,823	16,705,573
<i>Due To Related Parties</i>	25	276,473	1,181,093
<i>Other Accounts Payable</i>		24,301,350	15,524,480
Other Payables	7	4,500	3,646
Taxes on Income	23	2,495,295	2,008,708
Expense Accruals	11	3,232,651	1,751,802
Other Short-Term Liabilities	14	1,851,832	3,047,596
Employee Benefits	13	108,008	74,594
<b>Long-Term Liabilities</b>		<b>4,952,991</b>	<b>5,238,892</b>
Employee Benefits	13	3,633,514	3,390,062
Deferred Tax Liability	23	1,319,477	1,848,830
<b>EQUITY</b>		<b>141,503,889</b>	<b>144,700,053</b>
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	24,358,885	21,683,827
Retained Earnings		41,972,182	41,972,182
Net Profit For The Period		24,781,127	30,652,349
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>184,232,890</b>	<b>173,888,078</b>

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

**İzocam Ticaret ve Sanayi Anonim Şirketi**  
**Comprehensive Income Statement for the Nine-Month Period Ended**  
**30 September 2010**

*Amounts expressed in TL unless otherwise stated.*

	Note	Unaudited 1 January- 30 September 2010	Unaudited 1 July- 30 September 2010	Unaudited 1 January- 30 September 2009	Unaudited 1 July- 30 September 2009
Revenues	16	186,119,920	70,107,294	154,947,897	57,325,066
Cost of Sales (-)	16	(127,467,140)	(48,056,697)	(105,568,593)	(38,322,625)
<b>GROSS PROFIT</b>		<b>58,652,780</b>	<b>22,050,597</b>	<b>49,379,304</b>	<b>19,002,441</b>
Selling, Marketing and Distribution Expenses (-)	17	(23,190,800)	(8,032,077)	(18,815,249)	(6,321,074)
Administrative Expenses (-)	18	(7,685,564)	(2,258,692)	(7,169,998)	(2,177,925)
Other Operating Income	20	1,052,360	169,159	389,165	30,958
Other Operating Expense (-)	20	(664,810)	(152,714)	(356,543)	(211,959)
<b>OPERATING PROFIT</b>		<b>28,163,966</b>	<b>11,776,273</b>	<b>23,426,679</b>	<b>10,322,441</b>
Finance Income	21	3,438,888	1,060,466	5,052,551	1,210,265
Finance Costs (-)	22	(650,028)	(303,037)	(248,475)	(130,849)
<b>PROFIT BEFORE TAX</b>		<b>30,952,826</b>	<b>12,533,702</b>	<b>28,230,755</b>	<b>11,401,857</b>
Current Tax Expense	23	(6,701,052)	(2,565,518)	(6,389,528)	(2,382,151)
Deferred Tax Credit	23	529,353	52,912	751,838	95,020
<b>NET PROFIT FOR THE PERIOD</b>		<b>24,781,127</b>	<b>10,021,096</b>	<b>22,593,065</b>	<b>9,114,726</b>
Other Comprehensive Income					
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>24,781,127</b>	<b>10,021,096</b>	<b>22,593,065</b>	<b>9,114,726</b>
Earnings per share ("Kr")	24	0.0101	0.0041	0.0092	0.0037

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

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Interim Statement of Changes in Equity for the Nine-Month Period Ended 30 September 2010

Amounts expressed in TL unless otherwise stated.

	<u>Notes</u>	<u>Capital</u>	<u>Inflation Adjustment on Capital</u>	<u>Share Premium</u>	<u>Restricted Reserves</u>			<u>Retained Earnings</u>	<u>Net Profit for the Year</u>	<u>Capital</u>
					<u>Legal Reserves</u>	<u>Special Reserves</u>	<u>Total</u>			
<b>Balances at 1 January 2009</b>		<b>24,534,143</b>	<b>25,856,460</b>	<b>1,092</b>	<b>17,906,452</b>	<b>46</b>	<b>17,906,498</b>	<b>40,483,845</b>	<b>30,836,077</b>	<b>153,047,704</b>
<i>Total comprehensive income</i>										
Net profit for the year	15	--	--	--	--	--	--	--	22,593,065	22,593,065
Transfer to reserves	15	--	--	--	3,377,329	--	3,377,329	40,488,337	(44,265,666)	--
Other comprehensive income		--	--	--	--	--	--	--	--	--
<b>Total comprehensive income</b>					<b>3,377,329</b>		<b>3,377,329</b>	<b>40,488,337</b>	<b>(21,672,601)</b>	<b>22,593,065</b>
<i>Transactions with owners, recorded directly in equity</i>										
<i>Contributions by and distributions to owners</i>										
Dividends to equity holder	15	--	--	--	--	--	--	(39,000,000)	--	(39,000,000)
<b>Total transactions with owners</b>								<b>(39,000,000)</b>		<b>(39,000,000)</b>
<b>Balances at 30 September 2009</b>		<b>24,534,143</b>	<b>25,856,460</b>	<b>1,092</b>	<b>21,683,781</b>	<b>46</b>	<b>21,683,827</b>	<b>41,972,182</b>	<b>22,593,065</b>	<b>136,640,769</b>
<b>Balances at 1 January 2010</b>		<b>24,534,143</b>	<b>25,856,460</b>	<b>1,092</b>	<b>21,683,781</b>	<b>46</b>	<b>21,683,827</b>	<b>41,972,182</b>	<b>30,652,349</b>	<b>144,700,053</b>
<i>Total comprehensive income</i>										
Net profit for the year	15	--	--	--	--	--	--	--	24,781,127	24,781,127
Transfer to reserves	15	--	--	--	2,675,058	--	2,675,058	27,977,291	(30,652,349)	--
Other comprehensive income		--	--	--	--	--	--	--	--	--
<b>Total comprehensive income</b>					<b>2,675,058</b>	<b>0</b>	<b>2,675,058</b>	<b>27,977,291</b>	<b>(5,871,222)</b>	<b>24,781,127</b>
<i>Transactions with owners, recorded directly in equity</i>										
<i>Contributions by and distributions to owners</i>										
Dividends to equity holder	15	--	--	--	--	--	--	(27,977,291)	--	(27,977,291)
<b>Total transactions with owners</b>								<b>(27,977,291)</b>		<b>(27,977,291)</b>
<b>Balances at 30 September 2010</b>		<b>24,534,143</b>	<b>25,856,460</b>	<b>1,092</b>	<b>24,358,839</b>	<b>46</b>	<b>24,358,885</b>	<b>41,972,182</b>	<b>24,781,127</b>	<b>141,503,889</b>

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

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Interim Statement of Cash Flows for the Nine-Month Period Ended 30 September 2010

Amounts expressed in TL unless otherwise stated.

		Unaudited	
		Current Period	Prior Period
		30 September	30 September
Note		2010	2009
<b>Cash flows from operating activities</b>			
	Net profit for the period	24,781,127	22,593,065
<b>Adjustments to:</b>			
	Depreciation and amortization	8,774,306	8,910,283
	Current tax expense	6,701,052	6,389,528
	Deferred tax	(529,353)	(751,838)
	Provision for employee severance indemnity	688,284	873,934
	Provision for vacation pay liability	252,354	18,719
	Finance income	(3,438,888)	(4,830,780)
	Finance cost	492,880	67,426
	Impairment losses on tangible assets	90,865	(3,256)
	Allowance for bad debt receivables	428,780	145,269
	Other non-monetary provisions	2,786,717	2,733,579
<b>Cash flows before the changes in equity</b>		<b>41,028,124</b>	<b>36,145,929</b>
	Change in account receivables	(17,646,498)	938,322
	Change in due from related parties	(208,804)	(326,403)
	Change in other receivables	--	(64)
	Change in blockage amount	(1,476,156)	--
	Change in inventory	(7,706,089)	4,566,033
	Change in other current assets	870,202	(775,304)
	Change in accounts payable	8,776,870	(3,512,922)
	Change in other non current assets	(65,557)	(14,497)
	Change in due to related parties	(915,937)	535,736
	Change in other payables	854	(31,140)
	Change in other liabilities	(1,195,764)	(713,855)
	Taxes paid	(6,214,465)	(7,100,086)
	Interest paid	(305,373)	(67,426)
	Employee severance indemnity paid	(734,773)	(509,028)
	Provisions paid	(1,422,374)	(149,029)
<b>Cash flows from operating activities</b>		<b>12,784,260</b>	<b>28,986,266</b>
<b>Investing activities</b>			
	Acquisition of property, plant and equipment and intangible assets	(477,666)	(306,548)
	Proceeds from sales of property, plant and equipment and intangible assets	--	3,562
	Advances given for tangible assets	(19,162,329)	--
<b>Investing activities</b>		<b>(19,639,995)</b>	<b>(302,986)</b>
<b>Financing activities</b>			
	Increase in bank borrowings and other financial liabilities	5,148,687	1,158,247
	Dividend paid	(27,965,974)	(38,979,742)
	Interest received, net	3,575,562	4,870,494
<b>Cash flows used in financing activities</b>		<b>(19,241,725)</b>	<b>(32,951,001)</b>
Change in cash and cash equivalents, net		(26,097,460)	(3,969,663)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>45,632,357</b>	<b>29,867,865</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>19,534,897</b>	<b>25,898,202</b>

The accompanying notes are an integral part of these financial statements

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 1 ORGANIZATION AND NATURE OF BUSINESS

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

As at 30 September 2010, 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 30 September 2010, 38.85 percent of the shares of İzocam are publicly traded at ISE.

As at 30 September 2010, the average number of employees of the Company is 424 in which 185 (31 December 2009: 189) is comprised white collar employees and 239 (31 December 2009: 244) is comprised blue collar employees.

The address of the registered office of the Company is as follows:

Organize Sanayi Bölgesi  
3. Cadde No.4 Yukarı Dudullu  
34775 Ümraniye İSTANBUL

The head office address of the Company is as follows:

Dilovası Mevkii 41499 Gebze/Kocaeli

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 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 October 2010. The general assembly and legal authorities are competent to change the accompanying financial statements.

##### **Additional paragraph for convenience translation to English:**

The financial reporting standards issued by CMB to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the the application of inflation accounting for the period between 1 January - 31 December 2005 and the presentation of basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position, financial performance and cash flows of the Company in accordance with IFRS.



# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

For the nine month period ended 30 September 2009, interest expenses related with severance indemnity that are presented under provision for employee severance indemnity in cash flow TL 108,862 has been reclassified under finance expense.

For the nine month period ended 30 September 2009, provisions paid that are presented under other non-monetary provisions in cash flow TL 149,029 has been reclassified under provisions paid, separately.

#### **2.2 Changes in Accounting Policies**

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

As explained in footnote 2.4.2 the Company adopted Revised TAS “Presentation of Financial Statements”. As a result of this adoption, the Company started to present the statement of changes in equity with transactions with shareholders. To be in line with revised TAS 1 the change is also applied retrospectively. The change in accounting standards only affects the presentation of financial statements and does not have an effect on earnings per share.

#### **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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### 2.4 Changes in IFRS

##### 2.4.1 New standards and interpretations adopted in 2010 that have no effect on the Company's financials

*Revised IFRS 5 "Non-current assets Held for Sale and Discontinued Operations"* clarifies that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. The revised IFRS 5 is applied on the 2010 financial statements of the Company and do not have any effect on the financial statements of the Company.

*Revised IAS 1 "Presentation of Financial Statements"* The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. The revised IAS 1 is applied on the 2010 financial statements of the Company and do not have any effect on the financial statements of the Company.

*Revised IAS 7 "Statement of Cash Flows"* The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. Changes in the standard do not have any impact on the cash flow of the Company.

*IFRS 8 "Operating Segments"* amended to state that segment information for total assets only required if such information is regularly reported to chief operating decision-maker. The revised IFRS 8 is applied on the 2010 financial statements of the Company and do not have any effect on the financial statements of the Company.

*Revised to IAS 17 "Leases"* The International Accounting Standards Board ("IASB") deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes the land and building elements, an entity should determine the classification of each element based on paragraphs 7 - 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The revised IAS 17 is applied on the 2010 financial statements of the Company and do not have any effect on the financial statements of the Company.

*Revised IAS 36 "Impairment of Assets"* The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. Changes in the standard do not have any impact on the impairment tests of the Company.

*IAS 38 "Intangible Assets"* Amendments clarify the description of valuation techniques commonly used to measure fair value of intangible assets acquired in a business combination for which no active market exists. The revised IAS 38 is applied on the 2010 financial statements of the Company and do not have any effect on the financial statements of the Company.

*Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"*

The amendments:

- provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated;
- clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and
- clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss.
-

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### **2.4 Changes in IFRS**

##### **2.4.1 *New standards and interpretations adopted in 2010 that have no effect on the Company's financials (Continued)***

*IAS 18 "Revenue"* amended to specify that an entity acts as principal when exposed to significant risks and rewards associated with sale of goods or rendering of services. Further indicators added to appendix to assist in assessing whether an entity is principal or agent. Amendments to IAS 18 are applied on the 2010 financial statements of the Company and do not have any effect on the financial statements of the Company.

*Amendments to IFRS 2 "Share Based Payment"* The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equitysettled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Amendments to IFRS 2 are applied on the 2010 financial statements of the Company and do not have any effect on the financial statements of the Company.

*Amendment to IAS 32 "Financial Instruments: Presentation -Classification of Rights Issues"* The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Amendments to IAS 32 are applied on the 2010 financial statements of the Company and do not have any effect on the financial statements of the Company.

*IFRS 3 "Business Combinations"* is amended to state that contingent consideration arising in a business combination that had been accounted for in accordance with IFRS 3 (2004) that has not been settled or otherwise resolved at the effective date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004).

IFRS 3 is amended to limit the accounting policy choice to measure Non-controlling interests ("NCI") upon initial recognition either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation.

IFRS 3 contains guidance on how to apportion the market-based measure of an acquirer's share-based payment awards that are issued in exchange for acquiree awards between consideration transferred and post-combination cost when an acquirer is obliged to replace the acquiree's existing awards. IFRS 3 is amended so that the guidance for such awards also applies to voluntarily replaced acquiree awards and introduces attribution guidance for acquiree awards that are not replaced. The amendments are effective for annual periods beginning on or after 1 July 2010 and do not have any effect on the financial statements of the Company.

##### **2.4.2 *New Standards and Interpretations Not Yet Adopted as at 30 September 2010***

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB's International Financial Reporting Interpretation Committee ("IFRIC") which are effective as at 30 September 2010. Some new standards, amendments to standards and interpretations which are not effective as at 30 September 2010 have not been applied during the preparation of the accompanying financial statements.

The collective improvements declared by IASB on April 2009 are to clarify the discrepancies and to make more meaningful explanations. Effective dates of these changes shows differences with an earliest adoption date of 1 January 2011.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### **2.4 Changes in IFRS (Continued)**

##### **2.4.2 New Standards and Interpretations Not Yet Adopted As at 30 September 2010 (Continued)**

*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.

*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.

*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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### 2.4 Changes in IFRS (Continued)

##### 2.4.2 New Standards and Interpretations Not Yet Adopted As at 30 September 2010 (Continued)

Amendments to *IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor. The amendment is effective for annual periods beginning on or after 1 July 2010 and earlier application is permitted. 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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### **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 income statement 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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### **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 income statement 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 income statement.

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 30 September 2010, the Company has no derivative financial instruments (31 December 2009: 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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 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 income statement over their estimated useful lives for a period between three and nine years from the date of acquisition.

Rights	3-6 years
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Amortization method, economic useful lives and residual values of tangible assets are revised at each financial year end and adjusted if appropriate.



# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### **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 comprehensive income statement.

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 comprehensive income statement.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### **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 income statement. 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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### **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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### **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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### **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 27.1 – 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 – Impairment losses on accounts receivable

Note 8 – Impairment losses on inventories

Note 11 – Expense accruals

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 3 SEGMENT REPORTING

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

### 4 CASH AND CASH EQUIVALENTS

At 30 September 2010 and 31 December 2009, cash and cash equivalents comprised the following:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Banks		
Time deposit	18,187,521	44,527,023
Demand deposit	786,446	717,126
<i>Cheques at collection</i>	<i>1,476,156</i>	<i>527,341</i>
<i>Cash at blockage*</i>	<i>563,706</i>	<i>--</i>
<i>Other cash equivalents</i>	<i>585</i>	<i>902</i>
	<b>21,014,414</b>	<b>45,772,392</b>

\* As at 30 September 2010, cash and cash equivalents consist of cash at blockage amounting to TL 1,476,156. At 17 March 2010, the Company has started to use Direct Borrowing System ("DBS") which reduces the collection risk and guarantee letter expenses. In accordance with the arrangements made with various banks, instead of the Company, the bank sets a credit limit to customers and the collection is performed by the bank. After the collection, the bank keeps the payments received at blockage.

At 30 September 2010 and 31 December 2009 demand deposits comprised the following currencies (TL equivalents);

	<u>30 September 2010</u>	<u>31 December 2009</u>
European Union Currency ("Euro")	405,502	--
TL	265,866	705,210
American Dollar ("USD")	115,078	11,916
	<b>786,446</b>	<b>717,126</b>

At 30 September 2010 and 31 December 2009 time deposits comprised the following currencies:

	<u>30 September 2010</u>	<u>31 December 2009</u>
TL	15,575,289	42,753,035
USD	2,612,232	1,030,899
Euro	--	743,089
	<b>18,187,521</b>	<b>44,527,023</b>

At 30 September 2010, time deposits are denominated in TL and USD and weighted average interest rate is 6.61 and 1 percent respectively. (31 December 2009, time deposits are denominated in TL, USD and Euro and weighted average interest rates are 9.33 percent, 1 percent, 1 percent respectively). At 30 September 2010 and 31 December 2009, maturities of time deposits are between 1 to 3 months.

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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 4 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents included in the statement of cash flows for the periods ended 30 September are comprised the followings:

	<u>2010</u>	<u>2009</u>
Banks		
Time deposit	18,187,521	21,536,839
Demand deposit	786,446	2,976,784
Cheques at collection	563,706	1,431,079
Other cash equivalents	1,476,741	1,339
Less: Interest accruals	(3,361)	(47,839)
Less: Cash at blockage	(1,476,156)	--
	<u>19,534,897</u>	<u>25,898,202</u>

### 5 BANK BORROWINGS

At 30 September 2010 and 31 December 2009 bank borrowings comprised the followings:

	<u>30 September 2010</u>	<u>31 December 2009</u>
<b>Factoring loans</b>	<b>5,126,110</b>	<b>--</b>
USD	4,147,358	--
Euro	978,752	--
<b>Bank borrowings</b>	<b>379,791</b>	<b>357,214</b>
TL	379,791	357,214
	<u>5,505,901</u>	<u>357,214</u>

As at 30 September 2010, short term bank borrowings are factoring loans and interest-free spot credits to pay withholding taxes and Social Security Institution ("SGK") premiums and factoring loans. As at 30 September 2010, 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 irrevocable by which the Company undertakes the collection risk. As a result, the receivables and related factoring loans are kept at financials up to maturity.

### 6 ACCOUNTS RECEIVABLE AND PAYABLE

#### 6.1 Short-Term Accounts Receivable

At 30 September 2010 and 31 December 2009 short-term accounts receivables comprised the followings:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Accounts receivable	52,295,986	29,434,338
Cheques receivable	13,384,171	5,681,500
Notes receivable	656,040	13,793,837
Doubtful receivables	1,067,480	1,325,530
Less: Allowance for doubtful receivables	(1,067,480)	(1,325,530)
	<u>66,336,197</u>	<u>48,909,675</u>

At 30 September 2010, TL 731,979 of accounts receivable comprised due from related parties (At 31 December 2009: TL 523,175) in which detailed presentation is disclosed in Note 25.

The average collection period of trade receivables is 71 days (31 December 2009: 78 days) which can change according to the type of the product and the provision of the agreement with the customer.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 6 ACCOUNTS RECEIVABLE AND PAYABLE (CONTINUED)

#### 6.1 Short-Term Accounts Receivable (Continued)

At 30 September 2010 and 31 December 2009 maturity profiles cheques and notes receivables are as follows:

	30 September 2010		31 December 2009	
	Cheques	Notes Receivable	Cheques	Notes Receivable
0 - 30 days	5,706,140	240,040	2,324,104	2,414,500
31 - 60 days	3,927,828	411,000	1,908,029	3,132,000
61- 90 days	2,566,568	5,000	1,077,125	7,082,797
91 days and over	1,183,635	--	372,242	1,164,540
<b>Total</b>	<b>13,384,171</b>	<b>656,040</b>	<b>5,681,500</b>	<b>13,793,837</b>

At 30 September 2010 and 31 December 2009 the movement of allowance for doubtful receivables comprised the followings:

	30 September 2010	31 December 2009
Beginning balance	1,325,530	979,794
Provision for the year	428,780	591,142
Collections during the year	(83,191)	--
Write offs	(603,639)	(245,406)
<b>Period end</b>	<b>1,067,480</b>	<b>1,325,530</b>

#### 6.2 Short-Term Accounts Payable

At 30 September 2010, short-term accounts payable amounts to TL 24,577,823 (31 December 2009: TL 16,705,573) arising from payable to various suppliers.

At 30 September 2010, TL 276,473 of accounts payable comprised due to related parties (31 December 2009: TL 1,181,093) in which detailed presentation is disclosed in Note 25.

### 7 OTHER RECEIVABLES AND PAYABLES

#### 7.1 Long-Term Other Receivables

At 30 September 2010, long-term receivables comprised deposits and collaterals amounting to TL 2,868 (31 December 2009: TL 2,868).

#### 7.2 Short-Term Other Payables

At 30 September 2010, short-term other payables amounting to TL 4,500 (31 December 2009: TL 3,646) comprised the other variable payables.

### 8 INVENTORIES

As at 30 September 2010 and 31 December 2009 inventories comprised the following:

	30 September 2010	31 December 2009
Raw materials and supplies	18,067,780	10,291,671
Finished goods	6,005,088	6,166,159
Trading goods	836,859	745,808
	<b>24,909,727</b>	<b>17,203,638</b>

As at 30 September 2010 and 31 December 2009 inventories are accounted at cost and no inventory was recognized at its net realizable value.



# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 9 PROPERTY, PLANT AND EQUIPMENT

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

<u>Cost</u>	<u>1 January</u> <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>30 September</u> <u>2010</u>
Land	815,031	--	--	815,031
Land improvements	4,413,106	173,322	--	4,586,428
Buildings	33,899,659	--	--	33,899,659
Machinery and equipment	169,301,344	243,674	(216,374)	169,328,644
Furniture and fixtures	7,832,373	20,725	(90,360)	7,762,738
Leasehold improvements	56,540	--	--	56,540
Construction in progress	--	33,813	--	33,813
	<b>216,318,053</b>	<b>471,534</b>	<b>(306,734)</b>	<b>216,482,853</b>

  

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

For the nine month period ended 30 September 2010, depreciation expenses amounting to TL 7,886,728 (30 September 2009: TL 8,269,371) has been recognized under cost of sales, TL 134,172 (30 September 2009: TL 136,580) has been included under administrative expenses and TL 724,665 (30 September 2009: TL 479,003) has been capitalized on stocks.

As at 30 September 2010 and 31 December 2009, there has been no pledge on property, plant and equipment.

As at 30 September 2010 and 31 December 2009, the Company utilizes tangible assets which have nil net book value on its accounts. (30 September 2010 Cost: TL 101,816,294, Accumulated Depreciation: TL 101,816,294; 31 December 2009 Cost: TL 97,212,958, Accumulated Depreciation: TL 97,212,958).

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ended 31 December 2009, movement in the property, plant and equipment comprised the following:

<b>Cost</b>	<b><i>1 January</i></b>	<b><i>Additions</i></b>	<b><i>Disposals</i></b>	<b><i>31 December</i></b>
	<b><i>2009</i></b>			<b><i>2009</i></b>
Land	715,231	99,800	--	815,031
Land improvements	4,413,106	--	--	4,413,106
Buildings	33,715,865	319,355	(135,561)	33,899,659
Machinery and equipment	168,858,214	1,086,030	(642,900)	169,301,344
Furniture and fixtures	7,814,580	155,480	(137,687)	7,832,373
Leasehold improvements	39,540	17,000	--	56,540
	<b>215,556,536</b>	<b>1,677,665</b>	<b>(916,148)</b>	<b>216,318,053</b>
<b>Less: Accumulated depreciation</b>	<b><i>1 January</i></b>	<b><i>Charge for</i></b>	<b><i>Disposals</i></b>	<b><i>31 December</i></b>
	<b><i>2009</i></b>	<b><i>the period</i></b>		<b><i>2009</i></b>
Land improvements	(2,357,344)	(157,543)	--	(2,514,887)
Buildings	(17,650,994)	(1,045,882)	27,296	(18,669,580)
Machinery and equipment	(119,108,238)	(10,350,386)	637,688	(128,820,936)
Furniture and fixtures	(6,861,528)	(280,235)	136,063	(7,005,700)
Leasehold improvements	(35,558)	(5,667)	--	(41,225)
<b>Total accumulated depreciation</b>	<b>(146,013,662)</b>	<b>(11,839,713)</b>	<b>801,047</b>	<b>(157,052,328)</b>
<b>Net book value</b>	<b>69,542,874</b>			<b>59,265,725</b>

### 10 INTANGIBLE ASSETS

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

<b>Cost</b>	<b><i>1 January 2010</i></b>	<b><i>Additions</i></b>	<b><i>30 September 2010</i></b>
Rights	702,541	6,132	708,673
	<b>702,541</b>	<b>6,132</b>	<b>708,673</b>
<b>Less: Accumulated amortization</b>	<b><i>1 January 2010</i></b>	<b><i>Charge for</i></b>	<b><i>30 September 2010</i></b>
		<b><i>the period</i></b>	
Software rights	(625,203)	(28,741)	(653,944)
<b>Total accumulated amortization</b>	<b>(625,203)</b>	<b>(28,741)</b>	<b>(653,944)</b>
<b>Net book value</b>	<b>77,338</b>		<b>54,729</b>

For the year ended 31 December 2009, movement in the intangible assets comprised the following:

<b>Cost</b>	<b><i>1 January 2009</i></b>	<b><i>Additions</i></b>	<b><i>31 December 2009</i></b>
Rights	648,382	54,159	702,541
	<b>648,382</b>	<b>54,159</b>	<b>702,541</b>
<b>Less: Accumulated amortization</b>	<b><i>1 January 2009</i></b>	<b><i>Charge for the</i></b>	<b><i>31 December 2009</i></b>
		<b><i>period</i></b>	
Software rights	(590,199)	(35,004)	(625,203)
<b>Total accumulated amortization</b>	<b>(590,199)</b>	<b>(35,004)</b>	<b>(625,203)</b>
<b>Net book value</b>	<b>58,183</b>		<b>77,338</b>

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 10 INTANGIBLE ASSETS (CONTINUED)

At 30 September 2010, amortization expenses amounting to TL 28,741 (30 September 2009: TL 25,329) have been included in administrative expenses.

As at 30 September 2010 and 31 December 2009, the Company utilizes intangible assets which have nil net book value on its accounts (30 September 2010 Cost: TL 573,588, Amortization: TL 573,588; 31 December 2009 Cost: TL 573,588, Amortization: TL 573,588).

### 11 EXPENSE ACCRUAL

At 30 September 2010 and 31 December 2009 short-term provisions are comprised the following:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Other administrative expense accruals	3,172,416	434,088
Provisions for litigations (*)	60,235	--
Provision for Turkish Competition Board's penalty (**)	--	1,317,714
	<b>3,232,651</b>	<b>1,751,802</b>

As at 30 September 2010 the movement of provisions is as follows:

	<u>1 January</u>				<u>30 September</u>
	<u>2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Reversal</u>	<u>2010</u>
Other administrative expense accruals (*)	434,088	3,172,416	(434,088)	--	3,172,416
Provision for litigations	--	60,235	--	--	60,235
Provision for Turkish Competition Board's penalty (**)	1,317,714	--	(988,286)	(329,428)	--
	<b>1,751,802</b>	<b>3,232,651</b>	<b>(1,422,374)</b>	<b>(329,428)</b>	<b>3,232,651</b>

The movement of provisions for year the ended 31 December 2009 is as follows:

	<u>1 January</u>				<u>31 December</u>
	<u>2009</u>	<u>Additions</u>	<u>Payments</u>	<u>Reversal</u>	<u>2009</u>
Provision for Turkish Competition Board's penalty (**)	--	1,317,714	--	--	1,317,714
Other administrative expense accruals (*)	149,029	434,088	(146,282)	(2,747)	434,088
	<b>149,029</b>	<b>1,751,802</b>	<b>(146,282)</b>	<b>(2,747)</b>	<b>1,751,802</b>

(\*) As at 30 September 2010 and 31 December 2009 other short term provisions are comprised expense accruals for cost of goods sold, premium accruals and provisions for litigations.

(\*\*) 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 Ağustos 2010 the Company claimed against the decision, however as at 30 September 2010, there is not progress in the case. Detailed explanations about the decision of Turkish Competition Board are represented in Note 28.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 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 3<sup>rd</sup> 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 3<sup>rd</sup> parties to continue their operations will not be limited.

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

At 30 September 2010 and 31 December 2009 commitments given are as follows:

	<b>30 September 2010</b>	<b>31 December 2009</b>
A Commitments given in the name of own legal entity	4,919,316	8,287,040
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	--	--
<b>Total</b>	<b>4,919,316</b>	<b>8,287,040</b>

At 30 September 2010 and 31 December 2009, the Company has letter of guarantees obtained from banks and given to Custom Offices, foreign and domestic suppliers and to banks and notes given as collaterals.

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

	<b>30 September 2010</b>	<b>31 December 2009</b>
1. year	139,663	210,070
2. year	548,956	1,668
3. year	548,956	--
4. year	179,813	--
	<b>1,417,388</b>	<b>211,738</b>

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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### 13 EMPLOYEE BENEFITS

At 30 September 2010 and 31 December 2009, employee benefits comprised the followings:

	<b>30 September 2010</b>	<b>31 December 2009</b>
Provision for employee severance indemnity	2,661,250	2,520,231
Long term portion of vacation pay liability	972,264	869,831
Long term portion of employee benefit	<b>3,633,514</b>	<b>3,390,062</b>
Short term portion of vacation pay liability	108,008	74,594
	<b>3,741,522</b>	<b>3,464,656</b>

Provision for employee severance indemnity has been set as follows:

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

The severance pay is calculated as one month gross salary for every employment year and as at 30 September 2010 the ceiling amount has been limited to TL 2,517.01 (31 December 2009: TL 2,365.16).

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:

	<b>30 September 2010</b>	<b>31 December 2009</b>
Discount rate	%5.92	% 5.92
Turnover rate to estimate the probability of retirement	%6	%7

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:

	<b>30 September 2010</b>	<b>31 December 2009</b>
Opening balance	2,520,231	3,283,204
Interest cost	187,508	512,478
Cost of services	139,205	185,675
Payments made during the period	(734,773)	(643,212)
Actuarial difference	549,079	(817,914)
<b>Ending balance</b>	<b>2,661,250</b>	<b>2,520,231</b>

Actuarial difference arises from the changes in interest rates and changes in expectations about the salary increases. In addition to that, the number of employees that receive their indemnity before retirement increased the difference. Actuarial differences are recorded as incurred. As at 30 September 2010, cost of services and TL 117,624 portion of actuarial difference is recorded as general administrative expenses (31 December 2009: TL 104,501), TL 570,660 portion is recorded as cost of sales (31 December 2009: TL 15,260).

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 13 EMPLOYEE BENEFITS (CONTINUED)

The movement of vacation pay liability for the nine month period ended 30 September 2010 and for the year ended 31 December 2009 is as follows:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Opening balance	944,425	778,220
Additions during the period	252,354	384,521
Reversal	(116,507)	(218,316)
<b>Ending balance</b>	<b>1,080,272</b>	<b>944,425</b>

### 14 OTHER ASSETS AND LIABILITIES

#### 14.1 Other Current Assets

At 30 September 2010 and 31 December 2009, other current assets comprised the following:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Advances given for fixed asset (*)	19,162,329	--
Advances given for inventory	969,926	2,001,135
Prepaid expenses	334,858	387,803
Other receivables	241,377	--
VAT for export receivables	83,420	98,365
Deductable VAT	73,314	--
Job advances	30,713	5,762
Personel advances	10,733	3,270
Other	41,899	160,107
	<b>20,948,569</b>	<b>2,656,442</b>

(\*) At 30 September 2010, TL 17,428,178 of 19,162,329 advances given for fixed asset represents the advance amount that has been given for new land in ‘‘Kocaeli-Gebze V (Kimya) Organize Sanayi Bölgesi’’ which is acquired for making a capital expenditure by the Company.

#### 14.2 Other Non-Current Assets

At 30 September 2010, non-current assets amounting to TL 65,557 (31 December 2009: None) comprised long term portion of prepaid assets.

#### 14.3 Other Short-Term Liabilities

At 30 September 2010 and 31 December 2009, other short-term liabilities comprised the following:

	<u>30 September 2010</u>	<u>31 December 2009</u>
VAT payable	621,977	106,951
Expense accruals	444,506	--
Social security premium payable	359,595	352,069
Withholding taxes and duties	332,115	1,059,425
Retirement pension plan payables	81,145	79,765
Payable to employees	5,123	1,441,655
Other	7,371	7,731
	<b>1,851,832</b>	<b>3,047,596</b>

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 15 EQUITY

#### 15.1 Paid-in Capital / Inflation Adjustment on Capital

At 30 September 2010, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (31 December 2009: 2.453.414.335 shares of kr 1 each) of kr 1 each. There are no privileges given to different groups or shareholders. The shareholder structure of the Company is as follows:

	30 September 2010		31 December 2009	
	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
	<b>24,534,143</b>	<b>100.00</b>	<b>24,534,143</b>	<b>100.00</b>
Inflation Adjustment on Capital	25,856,460		25,856,460	
	<b>50,390,603</b>		<b>50,390,603</b>	

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

#### 15.2 Other Equity Items

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

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

30 September 2010	Nominal value	Inflation adjustment	Restated values
Share premiums	1,092	223,408	224,500
Restricted reserves	24,358,885	23,641,953	48,000,838
<i>Legal reserves</i>	24,358,839	18,710,928	43,069,767
<i>Special reserves(*)</i>	46	4,931,025	4,931,071
Extraordinary reserves	19,393,699	(1,496,872)	17,896,827
	<b>43,753,676</b>	<b>22,368,489</b>	<b>66,122,165</b>
<b>31 December 2009</b>			
Share premiums	1,092	223,408	224,500
Restricted reserves	21,683,827	23,641,953	45,325,780
<i>Legal reserves</i>	21,683,781	18,710,928	40,394,709
<i>Special reserves(*)</i>	46	4,931,025	4,931,071
Extraordinary reserves	19,393,699	(1,496,872)	17,896,827
	<b>41,078,618</b>	<b>22,368,489</b>	<b>63,447,107</b>

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

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 15 EQUITY (CONTINUED)

#### 15.2 Other Equity Items (Continued)

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

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

#### 15.3 Dividend Distribution

According to the Turkish Commercial Code (“TCC”), legal reserves are comprised first and legal reserves. The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Company’s statutory accounts until it reaches 20 percent of paid-in share capital. If the dividend distribution is made in accordance with Communiqué XI-29, a further 1/10 of dividend distributions, in excess of 5 percent of paid-in capital is to be appropriated to increase second legal reserves. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5 percent of paid-in capitals are to be appropriated to increase second legal reserves. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital. At 30 September 2010, legal reserves of the Company amount to TL 24,358,839 (31 December 2009: TL 21,683,781).

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.



# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 15 EQUITY (CONTINUED)

#### 15.3 Dividend Distribution (Continued)

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

	<u>30 September 2010</u>	<u>31 December 2009</u>
Paid-in capital	24,534,143	24,534,143
Inflation adjustment on capital	25,856,460	25,856,460
Restricted reserves		
Legal reserves	24,358,839	21,683,781
Special reserves	46	46
Inflation adjustment on legal reserves	18,710,928	18,710,928
Extraordinary reserves	17,896,827	17,896,827
Special reserves	4,931,025	4,931,025
Inflation adjustment on share premium	223,408	223,408
Retained losses	209,994	209,994
Share premium	1,092	1,092
Net Profit	24,781,127	30,652,349

In the ordinary general assembly held on 1 March 2010, it has been decided that TL 27,977,291 of the Company's net profit as at 31 December 2009 amounting to TL 30,652,349 would be distributed as cash dividend. Additionally, TL 2,675,058 will be transferred to second legal reserves. At 30 September 2010, TL 27,965,974 of TL 27,977,291 total dividend has been paid and the remaining portion amounting to TL 11,137 have been classified to due to related parties.

According to CMB's decision on 27 January 2010 numbered 02/51 corporations traded on the stock exchange market are not obliged to distribute a specified amount of dividends (2009: None). For corporations that will distribute dividends, in relation to the resolutions in their general meeting the dividends may be in cash, may be free by adding the profit into equity, or may be partially from both, it is also permitted not to distribute determined first party dividends falling below 5 percent of the paid-in capital of the company but, corporations that increased capital before distributing the previous year's dividends and as a result their shares are separated as "old" and "new" are obliged to distribute 1<sup>st</sup> party dividends in cash.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 16 SALES AND COST OF SALES

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

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
Domestic sales	158,929,178	62,513,801	128,269,828	48,462,701
Export sales	37,938,913	11,422,316	36,280,915	12,261,882
Other	110,218	51,834	98,779	43,147
Gross sales	196,978,309	73,987,951	164,649,522	60,767,730
Less: Sales returns and discounts	(10,858,389)	(3,880,657)	(9,701,625)	(3,442,664)
Net sales	186,119,920	70,107,294	154,947,897	57,325,066
Less: Cost of sales	(127,467,140)	(48,056,697)	(105,568,593)	(38,322,625)
<b>Gross profit</b>	<b>58,652,780</b>	<b>22,050,597</b>	<b>49,379,304</b>	<b>19,002,441</b>

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

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
Raw materials consumables used	110,352,118	43,078,453	86,215,114	31,683,853
Personnel expenses	9,294,797	3,165,049	8,478,998	2,847,092
Depreciation expenses	7,886,728	2,608,819	8,269,371	3,018,422
Changes in inventories	(66,503)	(795,624)	2,605,110	773,258
<b>Cost of Sales</b>	<b>127,467,140</b>	<b>48,056,697</b>	<b>105,568,593</b>	<b>38,322,625</b>

(\*) For the nine and three month periods ended 30 September 2009, interest expenses related with employee severance indemnity provision presented under cost of sales amounting to TL 181,049 and TL 108,862 respectively, have been reclassified under finance expense.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 17 SELLING, MARKETING AND DISTRIBUTION EXPENSES

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

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
Freight insurance expense	10,905,795	4,116,775	7,324,932	2,840,024
Personnel expenses	4,431,055	1,480,038	4,102,682	1,451,886
Advertisement expense	1,834,650	611,550	1,900,400	380,700
License expense	1,525,479	338,958	1,448,123	430,800
Sales commissions	1,117,826	406,321	841,211	299,977
Logistic expenses	911,549	331,903	732,630	344,116
Dealer expenses	468,000	154,500	453,047	52,717
Transportation expenses	466,250	151,564	383,482	113,933
Guarantee letter expenses	384,945	129,904	580,468	198,287
Exhibition and fair expense	311,400	103,800	342,650	53,550
Rent expenses (*)	108,215	12,382	112,914	12,382
Public relation expenses (**)	74,750	22,500	83,414	23,209
Other	650,886	171,882	509,296	119,493
	<b>23,190,800</b>	<b>8,032,077</b>	<b>18,815,249</b>	<b>6,321,074</b>

(\*) For the nine and three month periods ended 30 September 2009, guarantee letter expenses presented under finance expense amounting to TL 112,914 and TL 12,382 respectively, have been reclassified under selling and marketing expenses.

(\*\*) For the nine and three month periods ended 30 September 2009, rent expenses presented under administrative expenses amounting to TL 83,414 and TL 23,209 respectively, 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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 18 ADMINISTRATIVE EXPENSES

For the periods ended 30 September, administrative expenses comprised the following:

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
Personnel expenses	5,105,490	1,592,126	4,808,572	1,604,571
IT Expenses	374,878	159,638	346,937	112,179
Tax and duties expenses	241,895	38,977	185,845	52,775
Transportation expenses	227,178	78,922	239,024	72,452
Repair, maintenance and energy expenses	179,669	61,905	189,915	68,298
Consultancy expense	168,297	42,581	213,315	61,851
Depreciation and amortization (Note 9 and 10)	162,913	53,615	161,973	54,095
Telecommunication expenses	152,018	52,249	148,479	52,253
Accommodation expenses	140,513	57,967	97,220	30,282
Subscription fees	136,052	55,403	169,547	98,355
Litigation expenses	124,075	46,529	103,217	73,531
Stationary expenses	36,520	10,976	31,560	10,149
General assembly expenses	21,010	--	18,559	--
Research and project expenses	12,623	344	8,144	(1,017)
Donations	11,547	3,850	74,619	24,874
Others	590,886	3,610	373,072	(136,723)
	<b>7,685,564</b>	<b>2,258,692</b>	<b>7,169,998</b>	<b>2,177,925</b>

For the nine and three month periods ended 30 September 2009, rent expenses presented under administrative expenses amounting to TL 112,914 and TL 12,382 respectively, have been reclassified under selling and marketing expenses.

For the nine and three month periods ended 30 September 2009, public relation expenses presented under administrative expenses amounting to TL 83,414 and TL 23,209 respectively, 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 30 September, nature of expenses are disclosed in Notes 9, 10, 16, 17, 18, 20, 22 and 23.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 20 OTHER OPERATING INCOME/EXPENSE

#### 20.1 Other Operating Income

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

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
Provisions no longer required (*)	385,492	2,290	--	--
Provision reversal for Rekabet Kurulu fine (**)	329,428	--	--	--
Collections from insurance contracts	229,678	129,307	--	--
Collections from doubtful receivables	83,191	36,436	--	--
Gain on sale of property, plant and equipment	--	--	3,500	--
Other	24,571	1,126	385,665	30,958
	<b>1,052,360</b>	<b>169,159</b>	<b>389,165</b>	<b>30,958</b>

(\*) This amount consists of reversed provisions that were allocated for administrative expenses in 2009.

(\*\*) This amount represents the 25 percent portion of Rekabet Kurulu fine which was discounted for early payment.

At 30 September, other operating income is composed of income from no-claims discount, loss payments for tangible assets and incentive for attending in a fair.

#### 20.2 Other Operating Expense

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

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
Provision for doubtful receivables	428,780	39,062	145,269	138,171
Loss on sale of property, plant and equipment	90,865	85,284	244	53
Other	145,165	28,368	211,030	73,735
	<b>664,810</b>	<b>152,714</b>	<b>356,543</b>	<b>211,959</b>

For the nine and three month periods ended 30 September 2010, the amount of donations given to associations and charitable foundations is amounting to TL 11,548 and (30 September 2009: TL 74,619) TL 3,850 (30 September 2009: TL 24,872), respectively.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 21 FINANCE INCOME

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

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
Interest income on credit sales	2,051,004	764,882	1,701,515	545,902
Interest income on time deposits	1,387,884	295,584	3,129,265	910,166
Foreign exchange gains	--	--	221,771	(245,803)
	<b>3,438,888</b>	<b>1,060,466</b>	<b>5,052,551</b>	<b>1,210,265</b>

### 22 FINANCE EXPENSE

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

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
Foreign exchange loss (*)	344,655	194,017	--	--
Interest expense	305,373	109,020	248,475	130,849
	<b>650,028</b>	<b>303,037</b>	<b>248,475</b>	<b>130,849</b>

(\*) For the nine and three month periods ended 30 September 2009, interest expenses related with severance indemnity presented under cost of sales amounting to TL 181,049 and TL 108,862 respectively, have 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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

23

### TAX ASSETS AND LIABILITIES (CONTINUED)

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

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

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

At 30 September 2010 and 31 December 2009, total tax liability comprised the following:

	<b>30 September 2010</b>	<b>31 December 2009</b>
Corporate tax provision	6,701,052	8,582,590
Prepaid tax	(4,205,757)	(6,573,882)
<b>Total</b>	<b>2,495,295</b>	<b>2,008,708</b>
Deferred tax liability	1,319,477	1,848,830
	<b>3,814,772</b>	<b>3,857,538</b>

For the periods ended 30 September, taxation charge in the income statement comprised the following:

	<b>Ending</b>		<b>Ending</b>	
	<b>30 September 2010</b>		<b>30 September 2009</b>	
	<b>nine months</b>	<b>three months</b>	<b>nine months</b>	<b>three months</b>
	<b>period</b>	<b>period</b>	<b>period</b>	<b>period</b>
Current tax	(6,701,052)	(2,565,518)	(6,389,528)	(2,382,151)
Deferred tax credit	529,353	52,912	751,838	95,020
	<b>(6,171,699)</b>	<b>(2,512,606)</b>	<b>(5,637,690)</b>	<b>(2,287,131)</b>

The reported taxation charge for the periods ended 30 September is different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	<b>2010</b>		<b>2009</b>	
		<b>%</b>		<b>%</b>
Profit before tax	30,952,826	--	28,230,755	--
Tax rate	20.00	--	20.00	--
Taxes on reported profit per statutory tax rate	(6,190,565)	(20.00)	(5,646,151)	(20.00)
Permanent differences	(25,410)	(0.08)	(17,989)	(0.06)
Disallowable expenses	6,189	0.02	--	--
Other	38,087	0.12	26,450	0.09
<b>Tax provision</b>	<b>(6,171,699)</b>	<b>(19.94)</b>	<b>(5,637,690)</b>	<b>(19.97)</b>

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 23 TAX ASSETS AND LIABILITIES (CONTINUED)

#### 23.1 Deferred Tax Assets and Liabilities

Deferred tax liabilities and assets are provided, 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 (2009: 20 percent).

Deferred tax assets and deferred tax liabilities at 30 September 2010 and 31 December 2009 were attributable to the items detailed in the table below:

	30 September 2010		31 December 2009	
	Deferred tax		Deferred tax	
	assets	liabilities	assets	liabilities
Employee severance indemnity	532,250	--	504,046	--
Vacation pay liability	216,054	--	188,885	--
Unrecognized interest expense	43,998	--	28,634	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(2,127,575)	--	(2,568,429)
Reversal of calculated rediscount expenses according to tax regulations	--	(4,061)	--	(79,891)
Provisions for doubtful receivables	19,857	--	77,925	--
Others	--	--	--	--
	812,159	(2,131,636)	799,490	(2,648,320)
Offsetting	(812,159)	812,159	(799,490)	799,490
		<b>(1,319,477)</b>	--	<b>(1,848,830)</b>

The movement of deferred tax liabilities is as follow:

	1 January 2009	Profit or (loss)	31 December 2009	Profit or (loss)	30 September 2010
Employee severance indemnity	656,641	(152,595)	504,046	28,204	532,250
Vacation pay liability	155,644	33,241	188,885	27,169	216,054
Unrecognized interest expense	69,504	(40,870)	28,634	15,364	43,998
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(3,109,524)	541,095	(2,568,429)	440,854	(2,127,575)
Reversal of calculated rediscount expenses according to tax regulations	(216,741)	136,850	(79,891)	75,830	(4,061)
Provisions for doubtful receivables	--	77,925	77,925	(58,068)	19,857
Others	--	--	--	--	--
	<b>(2,444,476)</b>	<b>595,646</b>	<b>(1,848,830)</b>	<b>529,353</b>	<b>(1,319,477)</b>



# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 24 EARNING PER SHARE

Earnings per share is computed by dividing the net profit of the periods ended 30 September amounting to TL 14,760,031 (30 September 2009: TL 13,478,340) and TL 8,801,211 (30 September 2009: TL 7,282,371) to the weighted average of the shares during these periods.

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
Net Profit	24,781,127	10,021,096	22,593,065	9,114,726
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335	2.453.414.335	2.453.414.335
Earnings per share (Kr per share)	0.0101	0.0041	0.0092	0.0037

### 25 RELATED PARTIES

#### 25.1 Due from Related Parties

At 30 September 2010 and 31 December 2009, due from related parties comprised the following:

	30 September 2010	31 December 2009
Saint-Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret Anonim Şirketi ("Saint-Gobain Weber")	607,194	--
Saint Gobain Isover Italia S.P.A.	116,547	442,246
Saint Gobain Construction Products - Hellas Abee	8,238	--
Rigips Hellas SA. (Saint Gobain)	--	51,413
Saint Gobain Isover Almanya	--	16,103
Saint Gobain Isover France	--	13,413
	<b>731,979</b>	<b>523,175</b>

As at 30 September 2010 collaterals amounting to TL 13,038 are taken from related parties (31 December 2009: None).

#### 25.2 Due to Related Parties

At 30 September 2010 and 31 December 2009, due to related parties comprised the following:

	30 September 2010	31 December 2009
Saint Gobain-Isover (Royalty)	127,026	130,591
Grunzweig Hartman AG ("Grunzweig")	69,662	72,586
Saint-Gobain Weber	--	890,499
Saint Gobain Isover France	--	--
Other	79,785	87,417
	<b>276,473</b>	<b>1,181,093</b>

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 25 RELATED PARTIES (CONTINUED)

#### 25.3 Sales to Related Parties

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

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
Saint-Gobain Weber	4,346,842	1,481,048	120,300	85,156
Saint Gobain Isover Italia S.P.A.	898,315	147,778	1,478,918	562,507
Saint Gobain Construction Products - Hellas Abee	145,403	145,403	--	--
Rigips Hellas S.A Saint Gobain	53,279	--	82,784	82,784
Saint Gobain Recherche	3,008	--	--	--
Saint Gobain Isover Almanya	2,725	--	15,684	--
Isover	--	--	17,602	--
	<b>5,449,572</b>	<b>1,774,229</b>	<b>1,715,288</b>	<b>730,447</b>

#### 25.4 Purchases from Related Parties

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

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
Saint-Gobain Weber	3,167,800	1,377,881	1,441,426	989,407
Saint Gobain Isover (Royalty)	568,878	141,140	2,151	2,151
Grunzweig (Royalty)	484,953	77,402	475,368	71,488
Saint Gobain Isover France	5,665	5,665	581,188	182,684
	<b>4,227,296</b>	<b>1,602,088</b>	<b>2,500,133</b>	<b>1,245,730</b>

#### 25.5 Other Transaction with Related Parties

For the period ended 30 September 2010 and for the year ended 31 December 2009, other transactions with related parties comprised the following:

	30 September 2010	31 December 2009
<b>Dividends paid</b>		
İzocam İzolasyon	26,632,280	37,076,588
Central Record Institution ("CRI")	1,331,042	1,899,369
Other	2,832	4,325
	<b>27,966,154</b>	<b>38,980,282</b>

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

### 25 RELATED PARTIES (CONTINUED)

#### Remuneration to Top Management

For the periods ended 30 September remunerations to the top management are comprised the following:

	Ending 30 September 2010		Ending 30 September 2009	
	nine months period	three months period	nine months period	three months period
<b>Short term benefits:</b> (Salaries, premiums, housing, company cars, social securities, health insurance, vacation payments and etc.)	964,912	322,052	836,352	293,591
<b>Other long term benefits:</b> (Indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.) (*)	150,291	(16,811)	13,211	(128,052)
<b>TOTAL</b>	<b>1,115,203</b>	<b>305,241</b>	<b>849,563</b>	<b>165,539</b>

(\*) For the nine and three month periods ended 30 September 2009, long term benefits of top management amounting to TL 13,211 and TL 128,052 respectively, 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.

### 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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### 26.1 Finansal Risk Yönetimi (Devamı)

##### 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 14,072,335 which is not covered by collaterals 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 30 September 2010 the Company has guaranteed the receivables amounting to TL 65,763,500 via Direct Borrowing System aiming to avoid liquidity risk. The Company has also obtained factoring loans amounting to TL 5,126,110 and while making early collection; increases the liquidity position and avoids foreign exchange loss risk.

##### 26.1.3 Market risk

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

##### *Currency risk*

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

##### *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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### 26.1 Financial Risk Management (Continued)

##### 26.1.4 Operational risk

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.

#### 26.2 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.

<u>Fixed interest rate financial instruments</u>	<u>30 September 2010</u>	<u>31 December 2009</u>
Cash and cash equivalents	18,187,521	44,527,023
Bank borrowings	5,126,110	--

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### 26.2 Risk Management Disclosures (Continued)

##### 26.2.2 Credit risk

Credit risk is diversified since there are many counterparties in the customer database. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 9.5 percent of the Company's revenue is attributable to sales transactions with a single customer.

The geographical concentration of receivables excluding related parties exposed to the credit risk at 30 September 2010 and 31 December 2009 are as follow:

	<b>30 September 2010</b>	<b>31 December 2009</b>
1. District Office (Marmara, West Black Sea Regions)	28,997,243	18,533,434
3. District Office (South East Anatolia, East Anatolia. East Black Sea Regions)	11,505,725	5,661,910
2. District Office (Central Anatolia, Middle Black Sea Regions)	11,211,824	8,412,084
4. District Office (Aegean and Mediterranean Sea Regions)	8,493,440	9,756,927
Middle East, Balkans. Africa and Others	5,395,986	6,022,145
	<b>65,604,218</b>	<b>48,386,500</b>

At 30 September 2010, the Company has a letter of guarantee amounting to TL 16,672,719 (31 December 2009: TL 43,645,036), mortgage amounting to TL 2,449,000 (31 December 2009: TL 4,971,000), Eximbank guarantee amounting to TL 16,955,149 (31 December 2009: TL 21,538,203), collaterals received as notes amounting to TL 1,176,766 (31 December 2009: TL 930,437) and direct debit system guarantees amounting to TL 65,763,500 (31 December 2009: None). The Company does not have collaterals received as cash at 30 September 2010 (31 December 2009: TL 8,300).

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### 26.2 Risk Management Disclosures (Continued)

##### 26.2.2 Credit risk (continued)

30 September 2010	Receivables		Deposits on Banks	Other (Commitments given)
	Trade Receivables			
	Related Party	Others		
<b>Exposure to maximum credit risk as at reporting date (A+B+C+D+E)</b>	<b>731,979</b>	<b>65,604,218</b>	<b>18,973,967</b>	<b>4,919,316</b>
A, Net carrying value of financial assets which are neither impaired nor overdue	731,979	58,858,249	18,973,967	--
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	--	<b>6,745,969</b>	--	--
-The portion covered by any guarantee	--	6,436,329	--	--
D, Net carrying value of impaired assets	--	--	--	--
-Past due (gross book value )	--	1,067,480	--	--
-Impairment (-)	--	(1,067,480)	--	--
-Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--
E, Off balance sheet items with credit risks	--	--	--	4,919,316

\* 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.

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### 26.2 Risk Management Disclosures (Continued)

##### 26.2.2 Credit Risk (Continued)

For the period ended 30 September 2010 past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables	
	Trade Receivables	Trade Receivables
<b>30 September 2010</b>		
Past due 1-30 days	3,139,679	--
Past due 1-3 months	3,080,320	--
Past due 3-12 months	238,513	--
Past due 1-5 years	287,457	--
More than 5 years	--	--
The portion secured by guarantee**	6,436,329	--

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

	Receivables		Deposits on Banks	Other (Commitments given)
	Trade Receivables			
	Related Party	Other Parties		
<b>31 December 2009</b>				
<b>Exposure to maximum credit risk as at reporting date (A+B+C+D+E)</b>	<b>523,175</b>	<b>48,386,500</b>	<b>45,772,392</b>	<b>8,287,040</b>
A. Net carrying value of financial assets which are neither impaired nor overdue	523,175	41,826,611	45,772,392	--
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	--	6,559,889	--	--
-The portion covered by any guarantee	--	4,096,793	--	--
D. Net carrying value of impaired assets	--	--	--	--
-Over due (gross book value )	--	1,325,530	--	--
-Impairment (-)	--	(1,325,530)	--	--
-Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	8,287,040



# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### 26.2 Risk Management Disclosures (Continued)

##### 26.2.2 Credit risk (continued)

For the year ended 31 December 2009, past due but not impaired accounts receivables (except due from related parties) are as follows:

31 December 2009	Receivables	
	Trade Receivables	Trade Receivables
Past due 1-30 days	2,893,930	--
Past due 1-3 months	1,213,065	--
Past due 3-12 months	2,452,894	--
Past due 1-5 years	--	--
More than 5 years	--	--
The portion secured by guarantee**	4,096,793	--

\*\* At 30 September 2010, the Company has guaranteed its receivables by letter of guarantee amounting to TL 978,322 (31 December 2009: TL 3,545,242), direct debit system guarantees amounting to TL 5,073,758 (31 December 2009: None), mortgage amounting to TL 139,025 (31 December 2009: TL 466,099), Eximbank guarantee amounting to TL 177,643 (31 December 2009: None) and cheques for guarantee amounting to TL 67,581 (31 December 2009: TL 85,452). As at 30 September, the Company does not have notes for guarantee (31 December 2009: None). For the period ended 30 September 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 4,919,316 (31 December 2009: TL 8,287,040) are given to custom offices, domestic suppliers, banks and tax offices.

##### 26.2.4 Currency risk

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

As at 30 September 2010 and 31 December 2009, net position of the Company is resulted from foreign currency assets and liabilities:

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

#### 26.2 Risk Management Disclosures (Continued)

##### 26.2.4 Currency risk (continued)

FOREIGN CURRENCY POSITION						
	30 September 2010			31 December 2009		
	TL (Functional Currency)	USD	Euro	TL (Functional Currency)	USD	Euro
1.Trade receivables	13,097,559	8,185,143	617,233	8,556,911	3,945,685	1,210,895
2. Monetary financial assets	3,132,739	1,879,298	205,276	1,785,904	692,578	343,975
<b>3.Current Assets</b>	<b>16,230,298</b>	<b>10,064,441</b>	<b>822,509</b>	<b>10,342,815</b>	<b>4,638,263</b>	<b>1,554,870</b>
<b>4.Total Assets</b>	<b>16,230,298</b>	<b>10,064,441</b>	<b>822,509</b>	<b>10,342,815</b>	<b>4,638,263</b>	<b>1,554,870</b>
5.Trade payables	(1,639,755)	(898,337)	(170,136)	(1,007,909)	(404,085)	--
6.Financial liabilities	(5,126,110)	(2,857,882)	(495,470)	--	--	(184,918)
<b>7.Short-term Liabilities</b>	<b>(6,765,865)</b>	<b>(3,756,219)</b>	<b>(665,606)</b>	<b>(1,007,909)</b>	<b>(404,085)</b>	<b>(184,918)</b>
<b>8.Total Liabilities</b>	<b>(6,765,865)</b>	<b>(3,756,219)</b>	<b>(665,606)</b>	<b>(1,007,909)</b>	<b>(404,085)</b>	<b>(184,918)</b>
<b>Total</b>	<b>9,464,433</b>	<b>6,308,222</b>	<b>156,903</b>	<b>9,334,906</b>	<b>4,234,178</b>	<b>1,369,952</b>

## İzocam Ticaret ve Sanayi Anonim Şirketi

### Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

### 26.2 Risk Management Disclosures (Continued)

#### 26.2.4 Currency risk (continued)

Currency Sensitivity Analysis		
30 September 2010		
USD: 1,4512		
Avro: 1,9754		
	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	915,449	(915,449)
2-USD risk averse portion (-)	--	--
<b>3-Net USD Effect (1+2)</b>	<b>915,449</b>	<b>(915,449)</b>
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	30,995	(30,995)
5-Euro risk averse portion (-)	--	--
<b>6- Net Euro Effect (4+5)</b>	<b>30,995</b>	<b>(30,995)</b>
Assumption of devaluation/appreciation by 10% of other currencies against TL		
7-Other currency net asset/liability	--	--
8-Other currency risk averse portion (-)	--	--
<b>9-Net other currency effect (7+8)</b>	<b>--</b>	<b>--</b>
<b>Total(3+6+9)</b>	<b>946,444</b>	<b>(946,444)</b>

Currency Sensitivity Analysis		
31 December 2009		
USD: 1,5057		
Avro: 2,1603		
	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	637,540	(637,540)
2-USD risk averse portion (-)	--	--
<b>3-Net USD Effect (1+2)</b>	<b>637,540</b>	<b>(637,540)</b>
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	295,951	(295,951)
5-Euro risk averse portion (-)	--	--
<b>6- Net Euro Effect (4+5)</b>	<b>295,951</b>	<b>(295,951)</b>
Assumption of devaluation/appreciation by 10% of other currencies against TL		
7-Other currency net asset/liability	--	--
8-Other currency risk averse portion (-)	--	--
<b>9-Net other currency effect (7+8)</b>	<b>--</b>	<b>--</b>
<b>Total(3+6+9)</b>	<b>933,491</b>	<b>(933,491)</b>

## İzocam Ticaret ve Sanayi Anonim Şirketi

### Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010

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

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

### 26.2 Risk Management Disclosures (Continued)

#### 26.2.4 Currency risk (continued)

For the period ended 30 September 2010 and year ended 31 December 2009, total import and export of the company comprised the following:

	<b>30 September</b>	<b>31 December 2009</b>
	<b>2010</b>	
Total export	37,938,934	48,195,105
Total import	51,494,270	35,480,657

#### 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 its repayments of its borrowing from the cash inflows provided from operating activities through the productivity from those capital expenditures.

The below tables show the monetary liabilities of the Company according to their remaining maturities at 30 September 2010 and 31 December 2009:

	<b>30 September 2010</b>					
	<b>Book</b>	<b>Total</b>	<b>0-3</b>	<b>3-12</b>	<b>1-5</b>	<b>5 years</b>
	<b>Value</b>	<b>contractual</b>	<b>Months</b>	<b>Months</b>	<b>years</b>	<b>And more</b>
		<b>cash outflows</b>				
<b>ACCOUNTS PAYABLE</b>						
Short term financial payables	5,505,901	5,505,901	5,505,901	--	--	--
Trade and other payables	24,305,850	24,305,850	24,305,850	--	--	--
Due to related parties	276,473	276,473	--	276,473	--	--
Other liabilities	1,851,832	1,851,832	1,851,832	--	--	--
<b>Total accounts payable</b>	<b>31,940,056</b>	<b>31,940,056</b>	<b>31,663,583</b>	<b>276,473</b>	--	--

	<b>31 December 2009</b>					
	<b>Book</b>	<b>Total</b>	<b>0-3</b>	<b>3-12</b>	<b>1-5</b>	<b>5 years</b>
	<b>Value</b>	<b>contractual</b>	<b>Months</b>	<b>Months</b>	<b>years</b>	<b>And more</b>
		<b>cash outflows</b>				
<b>ACCOUNTS PAYABLE</b>						
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	--	--
Other liabilities	3,047,596	3,047,596	3,047,596	--	--	--
<b>Total accounts payable</b>	<b>20,114,029</b>	<b>20,114,029</b>	<b>18,932,936</b>	<b>1,181,093</b>	--	--

## **İzocam Ticaret ve Sanayi Anonim Şirketi**

### **Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010**

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

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#### **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.

## **İzocam Ticaret ve Sanayi Anonim Şirketi**

### **Notes to the Interim Financial Statements as at and for the Nine-Month Period Ended 30 September 2010**

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

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

As described in Note 11, Due to the claim of a complainant to “Turkish Competition Board” as at 22 July 2008 according to the Communiqué No: 4676 which is about “Protection of Competition”, there had been a preliminary investigation. The results of the investigation were summarised on a pre investigation report with a code of 2008-2-156/OA-08-1A, and the report was discussed in a meeting of competition Board dated 23 October 2008. In related meeting, the pricing policy of the Company is claimed to cause elimination of its rivals from the sector. As per article 6 of “Protection of competition” of “Turkish Competition Board”, with the decision of the board numbered as 08-60/957-M, the judge has decided to open an investigation about the Company according to the article no: 41 of the same act to state whether the pricing policies of the Company has been subject to abuse the situation or not within the meaning of the 6th article of the Law about Protection of Competition numbered as 4054. The decision of “Turkish Competition Board” meeting held on 8 February 2010 is as follows:

It is decided that;

1. The Company’s dominant position for glass wool and stone wool market in the isolation sector has been agreed, unanimously,
2. With the available evidences obtained, by vote of majority decided that;
  - a. The Company has not applied destructive or selective pricing during the period of compliant,
  - b. The Company misuse its dominant position by over pricing during other periods and/or products,
3. It has been agreed UNANIMOUSLY that, the Exclusive Dealership Contracts are within the scope of the Protection of Competition article number 4,
4. Taking into consideration of the Company’s market sales of relevant products, it has been UNANIMOUSLY agreed that, ,n accordance with the Competition Board Communiqué number 2003/3 and 2007/2 and Amended Vertical Agreements in respect of Group exemption Communiqué number 2002/2, the company has not used the Group exemption.
5. By votes of majority, it is been agreed that, the agreements explained above do not fulfill exemption conditions of “Protection of Competition” Law number 5, as a result, individual exemption is not allowed, BY VOTE OF MAJORITY.
6. By votes of majority, it is agreed that, the Exclusive Dealership and Premium applications for stonewool and glasswool sales are within the scope of Article 6 of the Protection of Competition Law number 4054.
7. By vote of majority, it has been agreed that ,in accordance with the fifth paragraph of Article 9’s 4054 numbered Protection of Competition Law’s Company within the scope of the report, should avoid the identified applications that results or can result of non compliance to laws and regulations.

In accordance with the third paragraph of Article 16 of the 4054 numbered “Protection of Competition Law” and regulation of the Administrative Fine to be applied to agreed action and decisions that restrict the Competition and the abuse of dominant position, has been found and administrative penalty of TL 1,317,714 which has been agreed by the vote of majority. The decision taken by the Board can be claimed against on the Council of State.

As at 4 June 2010, decision with reasons have been notified to the Company and the Company preferred to pay the fine with a 25 percent discount. TL 988,286 is paid in cash, which represents 75 percent of TL 1,317,714 at 28 June 2010. This payment does not restrict the right to claim against the decision. At 19 Ağustos 2010 the Company claimed against the decision, however at 30 September 2010, no progress yet on the case.