

İzocam Ticaret ve Sanayi Anonim Şirketi
Notes to the Financial Statements as at and for the Year Ended
31 December 2009

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

8 INVENTORIES

At 31 December, inventories comprised of the following:

	2009	2008
Raw materials and supplies	10.291.671	14.329.532
Finished goods	6.166.159	6.253.665
Trading goods	745.808	566.906
	17.203.638	21.150.103

At 31 December inventories are accounted at cost and no inventory was recognized at its net realizable value.

9 PROPERTY, PLANT AND EQUIPMENT

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

Cost	<u>1 January 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>31 December 2009</u>
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
Construction in progress	--	--	--	--
	215.556.536	1.677.665	(916.148)	216.318.053
Less: Accumulated depreciation	<u>1 January 2009</u>	<u>Charge for the period</u>	<u>Disposals</u>	<u>31 December 2009</u>
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)
Total accumulated depreciation	(146.013.662)	(11.839.713)	801.047	(157.052.328)
Net book value	69.542.874			59.265.725

For the year ended 31 December 2009, depreciation expenses amounting to TL 10.902.545 (31 December 2008: TL 10.624.855) has been recognised under cost of sales, TL 181.284 (31 December 2008: TL 201.311) has been included under administrative expenses and TL 755.884 (31 December 2008: TL 1.212.949) has been capitalized on stocks.

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

For the years ended 31 December 2009 and 2008, the Company utilizes tangible assets which have nil net book value on its accounts. (31 December 2009 Cost: TL 97.212.958, Accumulated Depreciation: TL 97.212.958; 31 December 2008 Cost: TL 96.980.684, Accumulated Depreciation: TL 96.980.684).

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PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ended 31 December 2008, movement in the property, plant and equipment comprised of the following:

Cost	<u>1 January 2009</u>	<u>Additions</u>	<u>Transfer</u>	<u>Disposals</u>	<u>31 December 2008</u>
Land	715.231	--	--	--	715.231
Land improvements	4.413.106	--	--	--	4.413.106
Buildings	30.764.217	--	2.951.648	--	33.715.865
Machinery and equipment	165.043.196	663.717	4.045.067	(893.766)	168.858.214
Furniture and fixtures	7.395.551	168.631	271.904	(21.506)	7.814.580
Leasehold improvements	39.470	70	--	--	39.540
Construction in progress	2.326.205	4.942.414	(7.268.619)	--	--
	210.696.976	5.774.832	--	(915.272)	215.556.536
Less: Accumulated depreciation	<u>1 January 2009</u>	<u>Charge for the period</u>	<u>Transfer</u>	<u>Disposals</u>	<u>31 December 2008</u>
Land improvements	(2.197.480)	(159.864)	--	--	(2.357.344)
Buildings	(16.572.737)	(1.078.257)	--	--	(17.650.994)
Machinery and equipment	(109.318.365)	(10.534.101)	--	744.228	(119.108.238)
Furniture and fixtures	(6.620.345)	(262.162)	--	20.979	(6.861.528)
Leasehold improvements	(30.827)	(4.731)	--	--	(35.558)
Total accumulated depreciation	(134.739.754)	(12.039.115)	--	765.207	(146.013.662)
Net book value	75.957.222		--		69.542.874

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INTANGIBLE ASSETS

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

Cost	<u>1 January 2009</u>	<u>Additions</u>	<u>31 December 2009</u>
Rights	648.382	54.159	702.541
	648.382	54.159	702.541
Less: Accumulated amortization	<u>1 January 2009</u>	<u>Charge for the period</u>	<u>31 December 2009</u>
Software rights	(590.199)	(35.004)	(625.203)
Total accumulated amortization	(590.199)	(35.004)	(625.203)
Net book value	58.183		77.338

For the year ended 31 December 2008, movement in the intangible assets comprised of the following:

Cost	<u>1 January 2008</u>	<u>Additions</u>	<u>31 December 2008</u>
Software rights	611.106	37.276	648.382
	611.106	37.276	648.382
Less: Accumulated amortization	<u>1 January 2008</u>	<u>Charge for the period</u>	<u>31 December 2008</u>
Software rights	(554.738)	(35.461)	(590.199)
Total accumulated amortization	(554.738)	(35.461)	(590.199)
Net book value	56.368		58.183

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10 INTANGIBLE ASSETS (CONTINUED)

For the year ended 31 December 2009, amortization expenses amounting to TL 35.004 (31 December 2008: TL 35.461) have been included in administrative expenses.

For the years ended 31 December 2009 and 2008, the Company utilizes intangible assets which have nil net book value on its accounts. (31 December 2009 Cost: TL 573.588, Accumulated Depreciation: TL 573.588; 31 December 2008 Cost: TL 521.274, Accumulated Depreciation: TL 521.274).

11 EXPENSE ACCRUAL

11.1 Short-Term Provisions

At 31 December, short-term provisions are comprised of the following:

	2009	2008
Provision for Turkish Competition Board's penalty (*)	1.317.714	--
Other administrative expense accruals	434.088	149.029
	1.751.802	149.029

(*)In accordance with the decision of "Turkish Competition Board" meeting held at 8 February 2010 numbered 10 – 14, the Company has been 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 previous year's net income has been recorded as provision in the financial statements as at 31 December 2009.

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

	<u><i>1 January 2009</i></u>	<u><i>Additions</i></u>	<u><i>Payments</i></u>	<u><i>Reversal</i></u>	<u><i>31 December 2009</i></u>
Provision for Turkish Competition Board's penalty (*)	--	1.317.724	--	--	1.317.724
Other administrative expense accruals	149.029	434.088	146.282	2.747	434.088
	149.029	1.751.812	146.282	2.747	1.751.812

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COMMITMENTS

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

The commitments given;

For companies other than publicly owned associations and financial institutions;

- i) For their own corporate identities
- ii) In favor of fully consolidated associations
- iii) In favor of 3rd parties to continue their operations will not be limited.

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

At 31 December commitments given are as follows:

	<u>2009</u>	<u>2008</u>
A Commitments given in the name of own legal entity	8.287.040	6.477.407
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 3 rd parties other than mentioned in bullet C	--	--
Total	8.287.040	6.477.407

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

At 31 December 2009, non-cancellable operating lease rentals are payable as follows:

	<u>2009</u>	<u>2008</u>
1. year	210.070	232.068
2. year	1.668	97.241
3. year	--	772
	211.738	330.081

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EMPLOYEE BENEFITS

At 31 December, employee benefits comprised of the followings:

	2009	2008
Provision for employee severance indemnity	2.520.231	3.283.204
Long term portion of vacation pay liability	869.831	708.951
Long term portion of employee benefit	3.390.062	3.992.155
Short term portion	74.594	69.269
	3.464.656	4.061.424

Provision for employee severance indemnity has been set as follows:

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

The severance pay is calculated as one month gross salary for every employment year and as at 31 December 2009 the ceiling amount has been limited to TL 2.365,16 (31 December 2008: TL 2.173,18).

The ceiling has been set on TL 2,427 as effective from 1 January 2010.

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:

	2009	2008
Discount rate	% 5,92	% 6,26
Turnover rate to estimate the probability of retirement	%7	%8

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The movement of employee severance indemnity is as follows:

	2009	2008
Opening balance	3.283.204	3.101.115
Interest cost	512.478	339.826
Cost of services	185.675	292.320
Payments made during the period	(643.212)	(598.416)
Actuarial difference	(817.914)	148.359
Ending balance	2.520.231	3.283.204

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13 EMPLOYEE BENEFITS (CONTINUED)

Actuarial difference arises from the changes in interest rates and changes in expectations about the salary increases. In addition to that, the number of employees that receive their indemnity before retirement increased the difference. Actuarial differences are recorded as incurred. As at 31 December, interest cost, cost of services and TL 104,501 portion of actuarial difference is recorded as general administrative expenses (31 December 2008: TL 671,399), TL 15,260 portion is recorded as cost of sales (31 December 2008: TL 109,106).

The movement of vacation pay liability for the year 2009 is as follows:

	<u>2009</u>	<u>2008</u>
Opening balance	778.220	694.816
Additions during the period	384.521	307.252
Reversal	(218.316)	(223.848)
Ending balance	944.425	778.220

14 OTHER ASSETS AND LIABILITIES

14.1 Other Current Assets

At 31 December, other current assets comprised the following:

	<u>2009</u>	<u>2008</u>
Advances given for inventory	2.001.135	187.688
Prepaid expenses	387.803	37.538
Taxes and funds to be offset	151.399	169.053
VAT for export receivables	98.365	199.091
Job advances	5.762	3.802
Other	11.978	39.881
	2.656.442	637.053

14.2 Other Non-Current Assets

At 31 December 2009, the Company does not have non-current assets (31 December 2008: TL 280).

14.3 Other Short-Term Liabilities

At 31 December, other short-term liabilities comprised of the following:

	<u>2009</u>	<u>2008</u>
Payable to employees	1.441.655	1.800
Withholding taxes and duties	1.059.425	1.356.922
Social security premium payable	431.834	408.218
VAT payable	106.951	466.468
Other	7.731	7.653
	3.047.596	2.241.061

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15 EQUITY

15.1 Paid-in Capital / Inflation Adjustment on Capital

At 31 December 2009, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (31 December 2008: 2.453.414.335 shares of kr 1 each) of kr 1 each. There are no privileges given to different groups or shareholders. The shareholder structure of the Company is as follows:

	31 December 2009		31 December 2008	
	Shares	Ownership interest %	Shares	Ownership interest %
İzocam İzolasyon	15.004.304	61,15	15.004.304	61,15
İzocam İzolasyon (Publicly traded)	8.320.173	33,92	8.320.173	33,92
Other (Publicly traded)	1.209.666	4,93	1.209.666	4,93
	24.534.143	100,00	24.534.143	100,00
Inflation Adjustment on Capital	25.856.460		25.856.460	
	50.390.603		50.390.603	

Inflation adjustment represents the impact of cash additions into paid-in capital due to the change in the purchasing power of TL compared to 1 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.

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15 EQUITY (CONTINUED)

15.2 Other Equity Items (Continued)

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

31 December 2009	Nominal value	Inflation adjustment	Restated values
Share premiums	1.092	223.408	224.500
Restricted reserves	21.683.827	23.641.953	45.325.780
<i>Legal reserves</i>	<i>21.683.781</i>	<i>18.710.928</i>	<i>40.394.709</i>
<i>Special reserves(*)</i>	<i>46</i>	<i>4.931.025</i>	<i>4.931.071</i>
Extraordinary reserves	19.393.699	(1.496.872)	17.896.827
	41.078.618	22.368.489	63.447.107
31 December 2008			
Share premiums	1.092	223.408	224.500
Restricted reserves	17.906.498	23.641.953	41.548.451
<i>Legal reserves</i>	<i>17.906.452</i>	<i>18.710.928</i>	<i>36.617.380</i>
<i>Special reserves(*)</i>	<i>46</i>	<i>4.931.025</i>	<i>4.931.071</i>
Extraordinary reserves	17.905.361	(1.496.872)	16.408.489
	35.812.951	22.368.489	58.181.440

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

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.

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15 EQUITY (CONTINUED)

15.3 Dividend Distribution

According to the Turkish Commercial Code (“TCC”), legal reserves are comprised of first and legal reserves. The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Company’s statutory accounts until it reaches 20 percent of paid-in share capital. If the dividend distribution is made in accordance with Communiqué XI-29, a further 1/10 of dividend distributions, in excess of 5 percent of paid-in capital is to be appropriated to increase second legal reserves. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5 percent of paid-in capitals are to be appropriated to increase second legal reserves. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital. At 31 December 2009, legal reserves of the Company amount to TL 21.683.781 (31 December 2008: TL 17.906.452).

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.

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15 EQUITY (CONTINUED)

15.3 Dividend Distribution (Continued)

As at 31 December 2009, the current year profit and the other sources of retained earnings which are subject to dividend distribution of the Company, prepared in line with the CMB's financial reporting standards are TL 30.652.349 and TL 2.941.494 respectively (31 December 2008: TL 44.265.666, TL 1.488.337).

The net profit of the Company at statutory records is TL 33.593.806, other sources that can be through the profit distribution are TL 2.941.494 (31 December: TL 44.205.541 and TL 1.428.212). Net income after deduction of legal reserves is TL 30.651.342 (31 December 2008: TL 40.428.212). The Company compares the net results of statutory financial statements and financial statements prepared in accordance with CMB and make dividend distribution over the lowest result.

As at the date of the audit report, the Company has not announced a dividend distribution for the year 2009.

As at 31 December 2009, according to the matters above the equity accounts of the Company per CMB's announcement Serial XI, Number 29 are:

	2009	2008
Paid-in capital:	24.534.143	24.534.143
Inflation adjustment on capital	25.856.460	25.856.460
Share premium	1.092	1.092
Restricted reserves		
Legal reserves	21.683.781	17.906.452
Special reserves	46	46
Retained profits		
Inflation adjustment on share premium	223.408	223.408
Inflation adjustment on legal reserves	18.710.928	18.710.928
Special reserves	4.931.025	4.931.025
Extraordinary reserves	17.896.827	16.408.489
Retained losses	209.994	209.994
Net Profit	30.652.349	44.265.666

In the ordinary general assembly held on 19 March 2009, it has been decided that TL 39.000.000 of the Company's net profit as at 31 December 2008 amounting to TL 44.265.666 would be distributed as cash dividend. Additionally, TL 3.777.329 will be transferred to second legal reserves; TL 1.488.337 would be distributed as retained earnings. At 31 December 2009, TL 38.979.742 of TL 39.000.000 total dividend has been paid and the remaining portion amounting to TL 19.718 has been credited 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 (2008: 20 percent). 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 1st party dividends in cash.

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SALES AND COST OF SALES

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

	<u>2009</u>	<u>2008</u>
Domestic sales	171.338.785	212.008.822
Export sales	48.195.105	51.478.863
Other	123.963	55.189
Gross sales	219.657.853	263.542.874
Less: Sales returns and discounts	(13.217.692)	(15.953.676)
Net sales	206.440.161	247.589.198
Less: Cost of sales	(138.323.013)	(162.450.680)
Gross profit	68.117.148	85.138.518

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

	<u>2009</u>	<u>2008</u>
Raw materials consumables used	115.484.108	139.183.049
Personnel expenses	11.981.488	12.443.466
Depreciation	10.902.545	10.624.855
Changes in inventories	(45.128)	199.310
Cost of Sales	138.323.013	162.450.680

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SELLING, MARKETING AND DISTRIBUTION EXPENSES

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

	<u>2009</u>	<u>2008</u>
Freight insurance expense	10.298.559	12.759.866
Wages and salaries	5.375.764	4.918.452
Advertisement expense	2.123.145	2.441.113
License expense	1.680.612	2.187.352
Sales commissions	1.201.756	1.663.418
Logistic expenses	1.032.849	1.188.117
Guarantee letter expenses	805.542	752.687
Dealer expenses	802.544	708.595
Exhibition and fair expense	271.762	269.112
Transportation expenses	519.092	551.818
Other	757.576	917.087
	24.869.201	28.357.617

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18 ADMINISTRATIVE EXPENSES

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

	2009	2008
Personnel expenses	5.736.634	7.094.232
IT Expenses	463.990	341.731
Transportation expenses	312.538	338.211
Repair, maintenance and energy	280.839	326.609
Consultancy expense	257.515	238.102
Communication expense	232.202	270.217
Depreciation and amortization (Note 9 and 10)	216.288	236.772
Subscription fees	186.285	214.037
Litigation expenses	155.680	110.414
Announcement expenses	130.065	162.432
Duties, taxes and levies	126.388	188.680
Rent expense*	125.296	120.851
Travel expense	108.142	234.128
Insurance expense	50.361	42.741
Stationary expenses	44.628	50.036
Research project expenses	8.096	131.712
Others	707.896	811.797
	9.142.843	10.912.702

(*) Comprises of the rent expenses of sales offices of the Company.

19 EXPENSES BY NATURE

For the year ended 31 December 2009, nature of expenses are disclosed in Notes 9, 10, 16, 17, 18, 20, 22 and 23.

20 OTHER OPERATING INCOME/EXPENSE

20.1. Other Operating Income

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

	2009	2008
Gain on sale of property, plant and equipment	3.500	35.544
Other	447.747	318.148
	451.247	353.692

For the-year ended, other operating income composed of health, insurance policy, non claimable reversals, insurance compensation from tangibles and incentives received for exhibitions.

As at 31 December 2009 the amount of donations given to associations and charitable foundations is TL 20.277 (31 December: TL 18.304).

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20 OTHER OPERATING INCOME/EXPENSE (CONTINUED)

20.2. Other Operating Expense

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

	<u>2009</u>	<u>2008</u>
Provision for Turkish Competition Board's penalty	1.317.714	--
Provision for doubtful receivables	591.142	268.452
Loss on sale of property, plant and equipment	6.837	141.704
Other	298.030	269.434
	<u>2.213.723</u>	<u>679.590</u>

As at 31 December 2009, total donation given to various association, foundation and institutions is amounting to TL 20.277. (31 December 2008: TL 18.304).

21 FINANCE INCOME

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

	<u>2009</u>	<u>2008</u>
Interest income on time deposits	3.969.233	3.170.248
Interest income on sales on credit terms	2.176.860	4.462.101
Foreign exchange gains	243.804	2.621.309
	<u>6.389.897</u>	<u>10.253.658</u>

22 FINANCE EXPENSE

For the periods ended 31 December, finance expense comprised of the following:

	<u>2009</u>	<u>2008</u>
Interest expense on borrowings	93.232	490.067
	<u>93.232</u>	<u>490.067</u>

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.

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23

TAX ASSETS AND LIABILITIES (CONTINUED)

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.

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

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

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

At 31 December, total tax liability comprised of the following:

	2009	2008
Corporate tax provision	8.582.590	11.192.741
Prepaid tax	(6.573.882)	(8.144.372)
Total	2.008.708	3.048.369
Deferred tax liability	1.848.830	2.444.476
	3.857.538	5.492.845

For the years ended 31 December, taxation charge in the income statement comprised of the following:

	2009	2008
Current tax	(8.582.590)	(11.192.741)
Deferred tax credit	595.646	152.515
	(7.986.944)	(11.040.226)

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

	2009		2008	
		%		%
Profit before tax	38.639.293		55.305.892	
Tax rate	20.00		20.00	
Taxes on reported profit per statutory tax rate	(7.727.859)	(20.00)	(11.061.178)	(20.00)
Permanent differences	(263.543)	(0.68)	--	--
Disallowable expenses	(22.090)	(0.06)	(31.444)	(0.06)
Other	26.548	0.07	52.396	0.09
Taxation charge	(7.986.944)	(20.67)	(11.040.226)	(19.96)

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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 (2008: 20 percent).

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

	2009		2008	
	Deferred tax		Deferred tax	
	assets	liabilities	assets	liabilities
Employee severance indemnity	504.046	--	656.641	--
Vacation pay liability	188.885	--	155.644	--
Unrecognized interest expense	28.634	--	69.504	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(2.568.429)	--	(3.109.524)
Reversal of calculated rediscount expenses according to tax regulations	--	(79.891)	--	(216.741)
Provisions for doubtful receivables	77.925	--	--	--
	799.490	(2.648.320)	881.789	(3.326.265)
Offsetting	(799.490)	799.490	(881.789)	881.789
		(1.848.830)		(2.444.476)

The movement of deferred tax liabilities is as follow:

	31		31		
	1 January 2008	Profit or (loss)	December 2008	Profit or (loss)	December 2009
Employee severance indemnity	620.223	36.418	656.641	(152.595)	504.046
Vacation pay liability	138.963	16.681	155.644	33.241	188.885
Unrecognized interest expense	96.214	(26.710)	69.504	(40.870)	28.634
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(3.225.050)	115.526	(3.109.524)	541.095	(2.568.429)
Reversal of calculated rediscount expenses according to tax regulations	(226.613)	9.872	(216.741)	136.850	(79.891)
Provisions for doubtful receivables	--	--	--	77.925	77.925
Others	(728)	728	--	--	--
	(2.596.991)	152.515	(2.444.476)	595.646	(1.848.830)

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24 EARNING PER SHARE

Earnings per share is computed by dividing the net profit of the year ended 31 December 2009 amounting to TL 30.652.349 (31 December 2008: TL 44.265.666) to the weighted average of the shares during these periods.

	2009	2008
Net Profit	30.652.349	44.265.666
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335
Earnings per share (Kr per share)	0.01249	0.01804

25 RELATED PARTIES

25.1 Due from Related Parties

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

	2009	2008
Saint Gobain Isover Italia S.P.A.	442.246	--
Rigips Hellas SA. (Saint Gobain)	51.413	--
Saint Gobain Isover Almanya	16.103	--
JSC Saint Gobain Construction Products Ukraine ("JSC")	--	42.206
Saint Gobain Isover Romania SRL ("Isover")	--	17.261
Saint Gobain Isover France	13.413	14.614
Saint Gobain Seva France	--	7.675
	523.175	81.756

25.2 Due to Related Parties

At 31 December, due to related parties comprised of the following:

	2009	2008
Saint-Gobain Weber Yapı Kimyasalları Sanayi ve Ticaret Anonim Şirketi ("Saint-Gobain Weber")	890.499	144.093
Saint Gobain-Isover (Royalty)	130.591	100.611
Grunzweig Hartman AG ("Grunzweig")	72.586	165.447
Saint-Gobain Glass Romania	--	4.330
Saint-Gobain Construction Products Polska Sp. Z.o.o	--	198
Others	87.417	70.101
	1.181.093	484.780

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25 RELATED PARTIES (CONTINUED)

25.3 Sales to Related Parties

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

	2009	2008
Saint Gobain Isover Italia S.P.A.	1.974.280	6.972
Saint-Gobain Weber	154.734	138.917
Saint Gobain Rigips Hellas SA	134.197	25.950
Isover	17.602	122.422
Saint Gobain Isover Almanya	15.684	--
JSC	--	42.206
Saint Gobain Isover France	--	13.399
Saint Gobain Seva France	--	7.675
	2.296.497	357.541

25.4 Purchases from Related Parties

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

	2009	2008
Saint-Gobain Weber	2.021.284	892.353
Saint Gobain Isover (Royalty)	661.839	--
Grunzweig (Royalty)	548.981	554.029
Saint Gobain Isover France	2.151	822.363
Saint Gobain - Isover (Germany)	1.343	--
Saint-Gobain Construction Products Polska Sp. Z.o.o	--	166
	3.235.598	2.268.911

25.5 Other Transaction with Related Parties

For the years ended 31 December, other transactions with related parties comprised of the following:

	2009	2008
Dividends paid		
İzocam İzolasyon	37.076.588	54.189.757
Central Record Institution ("CRI")	1.899.369	2.767.483
Other	4.325	13.598
	38.980.282	56.970.838

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25 RELATED PARTIES (CONTINUED)

25.6 Remuneration to Top Management

	<u>2009</u>	<u>2008</u>
Short term benefits: (Salaries, premiums, housing, company cars, social securities, health insurance, vacation payments and etc.)	2.112.051	3.020.467
Other long term benefits: (Indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	104.438	50.486
Share based payments:	--	--
TOTAL:	<u>2.216.489</u>	<u>3.070.953</u>

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.

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

26.1 Financial Risk Management (Continued)

26.1.1 Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party. The ownership of financial assets is campaigned by the risk that the other party does not fulfill the contract. The management of the Company covers these risks by limiting the average risk for other party (except related parties) in all contracts and receiving guarantees if necessary. The Company works thorough agency system within Turkey to a great extent. The Company minimizes the collection risk by the guarantee letters taken from agencies, liens and commitment notes received before the sale and controls the orders of agencies out of guarantee by comparing these guarantees received from the agencies with their receivables. 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.

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.

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

26.2 Risk Management Disclosures

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

26.2.1 Interest rate risk

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

<i>Fixed interest rate financial instruments</i>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	44.527.023	28.877.711
Bank borrowings	--	--

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 9,12 percent of the Company's revenue is attributable to sales transactions with a single customer.

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

	<u>2009</u>	<u>2008</u>
1. District Office (Marmara, West Black Sea Regions)	18.533.434	24.254.062
3. District Office (South East Anatolia, East Anatolia, East Black Sea Regions)	5.661.910	6.480.073
2. District Office (Central Anatolia, Middle Black Sea Regions)	8.412.084	11.850.583
Middle East, Balkans, Africa and Others	6.022.145	8.266.858
4. District Office (Aegean and Mediterranean Sea Regions)	9.756.927	10.362.563
	48.386.500	61.214.139

At 31 December 2009, the Company has a letter of guarantee amounting to TL 43.645.036 (31 December 2008: TL 45.549.373), mortgage amounting to TL 4.971.000 (31 December 2008: TL 4.898.000), eximbank guarantee amounting to TL 21.538.203 (31 December 2008: TL 21.968.264) and collaterals received as notes amounting to TL 930.437 (31 December 2008: TL 706.169) and and collaterals received as cash amounting to TL 8.300 (31 December 2008: None) that are taken from customers and agencies.

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

26.2 Risk Management Disclosures (Continued)

26.2.2 Credit risk (continued)

2009	Receivables		Deposits on Banks	Other (Commitments given)
	Trade Receivables			
	Related Party	Related Party		
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)*	523.175	48.386.500	45.772.392	8.287.040
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	--	--	--	--
-Past 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

* 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 makes 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.

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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	--

31 December 2008	Receivables		Deposits on Banks	Other (Commitments given)
	Trade Receivables			
	Related Party	Other Parties		
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)*	81.756	61.214.139	29.975.676	6.477.407
A. Net carrying value of financial assets which are neither impaired nor overdue	81.756	55.122.477	29.975.676	--
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	--	5.951.417	--	--
-The portion covered by any guarantee	--	3.344.849	--	--
D. Net carrying value of impaired assets	--	140.245	--	--
-Over due (gross book value)	--	1.120.039	--	--
-Impairment (-)	--	(979.794)	--	--
-Covered portion of net book value (with letter of guarantee etc.)	--	140.245	--	--
E. Off balance sheet items with credit risks	--	--	--	6.477.407

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

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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 2008, past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables	
	Trade Receivables	Trade Receivables
31 December 2008		
Past due 1-30 days	4.417.947	--
Past due 1-3 months	759.717	--
Past due 3-12 months	347.115	--
Past due 1-5 years	426.638	--
More than 5 years	--	--
The portion secured by guarantee**	3.344.849	--

** At 31 December 2009, the Company has guaranteed its receivables by letter of guarantee amounting to TL 3.545.242 (31 December 2008: TL 3.095.319), mortgage amounting to TL 466.099 (31 December 2008: TL 183.040), cheques for guarantee amounting to TL 85.452 (31 December 2008: None) does not have eximbank guarantee (31 December 2008: TL 66.490). For the years ended 31 December the Company has not utilized all these guarantees by means of collecting its receivable balances in cash terms.

26.2.3 Guarantees

In accordance with the Company policy, total guarantees given amounting to TL 8.287.040 (31 December 2008: TL 6.477.407) 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 31 December, net position of the Company is resulted from foreign currency assets and liabilities:

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

26.2 Risk Management Disclosures (Continued)

26.2.4 Currency risk (continued)

	FOREIGN CURRENCY POSITION					
	31 December 2009			31 December 2008		
	TL (Functional Currency)	USD	EURO	TL (Functional Currency)	USD	EURO
1. Trade receivables	8.556.911	3.945.685	1.210.895	10.517.021	5.306.612	1.163.736
2. Monetary financial assets	1.785.904	692.578	343.975	4.201.744	1.699.842	761.898
3. Current Assets	10.342.815	4.638.263	1.554.870	14.718.765	7.006.454	1.925.634
4. Total Assets	10.342.815	4.638.263	1.554.870	14.718.765	7.006.454	1.925.634
5. Trade payables	(1.007.909)	(404.085)	--	(453.209)	(299.682)	--
6. Financial liabilities	--	--	(184.918)	(525.405)	--	(245.424)
7. Short-term Liabilities	(1.007.909)	(404.085)	(184.918)	(978.614)	(299.682)	(245.424)
8. Total Liabilities	(1.007.909)	(404.085)	(184.918)	(978.614)	(299.682)	(245.424)
Total	9.334.906	4.234.178	1.369.952	13.740.151	6.706.772	1.680.210

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

26.2 Risk Management Disclosures (Continued)

26.2.4 Currency risk (continued)

Currency Sensitivity Analysis		
31 December 2009		
USD: 1.5057		
Euro: 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 (-)	--	--
3-Net USD Effect (1+2)	637.540	(637.540)
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	295.951	(295.951)
5-Euro risk averse portion (-)	--	--
6- Net Euro Effect (4+5)	295.951	(295.951)
Assumption of devaluation/appreciation by 10% of other currencies against TL		
7-Other currency net asset/liability	--	--
8-Other currency risk averse portion (-)	--	--
9-Net other currency effect (7+8)	--	--
Total(3+6+9)	933.491	(933.491)

Currency Sensitivity Analysis		
31 December 2008		
USD:1.5123		
Euro:2.1408	Profit/Loss	
	Appreciation of foreign currency	Appreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL		
1-Net USD asset/liability	1.014.266	(1.014.266)
2-USD risk averse portion (-)	--	--
3-Net USD Effect (1+2)	1.014.266	(1.014.266)
Assumption of devaluation/appreciation by 10% of Euro against TL		
4-Net Euro asset/liability	359.699	(359.699)
5-Euro risk averse portion (-)	--	--
6- Net Euro Effect (4+5)	359.699	(359.699)
Assumption of devaluation/appreciation by 10% of other currencies against TL		
7-Other currency net asset/liability	50	(50)
8-Other currency risk averse portion (-)	--	--
9-Net other currency effect (7+8)	50	(50)
Total(3+6+9)	1.374.015	(1.374.015)

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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 years ended 31 December, total import and export of the company comprised of the following:

	31 December 2009	31 December 2008
Total export	48.195.105	51.478.863
Total import	35.480.657	40.211.119

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 assets and liabilities of the Company according to their remaining maturities at 31 December:

	2009					
	Book Value	Total contractual cash outflows	0-3 Months	3-12 Months	1-5 Years	5 years and more
ACCOUNTS PAYABLE						
Short term financial payables	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	--	--
Provisions	1.751.802	1.751.802	--	1.751.802	--	--
Other liabilities	3.047.596	3.047.596	3.047.596	--	--	--
Total accounts payable	21.865.831	21.865.831	18.932.936	2.932.895	--	--

	2008					
	Book Value	Total contractual cash outflows	0-3 Months	3-12 Months	1-5 Years	5 years and more
ACCOUNTS PAYABLE						
Short term financial payables	17.186.025	17.186.025	17.186.025	--	--	--
Due to related parties	484.780	484.780	--	484.780	--	--
Provisions	149.029	149.029	--	149.029	--	--
Other liabilities	2.241.061	2.241.061	2.241.061	--	--	--
Total accounts payable	20.060.895	20.060.895	19.427.086	633.809	--	--

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27 FINANCIAL INSTRUMENTS

27.1 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.

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

28 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 did not 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, ,in 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 VOTE 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 VOTE 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.