İzocam Ticaret ve Sanayi
Anonim Şirketi

Convenience Translation into English of Financial Statements As At and For The Year Ended 31 December 2008 With Independent Auditor's Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.
3 March 2009

This report includes 2 pages of independent auditors' report and 46 pages of financial statements together with their explanatory notes.

Independent Auditors' Report

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

We have audited the accompanying financial statements of İzocam Ticaret ve Sanayi Anonim Şirketi ("the Company"), which comprise the balance sheet as at 31 December 2008, and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of İzocam Ticaret ve Sanayi Anonim Şirketi as at 31 December 2008, and of its financial performance, and its cash flows for the year then ended in accordance with the financial reporting standards of Capital Market Board (refer to Note 2).

Additional paragraph for convenience translation to English

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

İstanbul, 3 March 2009

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Ruşen Fikret Selamet, Partner,
İstanbul, Türkiye

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İzocam Ticaret ve Sanayi Anonim Şirketi

Balance Sheet as at 31 December 2008

Amounts expressed in New Turkish Lira ("TRY") unless otherwise stated.

	Notes	Audited			
		31 December 2008		31 December 2007	
ASSETS					
Current Assets			**113.058.727**		**120.203.501**
Cash and Cash Equivalents	4	29.975.676		34.578.198	
Accounts Receivable	6	61.295.895		63.872.819	
Due From Related Parties	*25*	*81.756*		*117.274*	
Other Accounts Receivable		*61.214.139*		*63.755.545*	
Inventory	8	21.150.103		20.720.688	
Other Current Assets	14	637.053		1.031.796	
Non-Current Assets			**69.604.141**		**76.016.737**
Other Receivables	7	2.804		2.804	
Property, Plant and Equipment	9	69.542.874		75.957.222	
Intangible Assets	10	58.183		56.368	
Other Non-Current Assets	14	280		343	
TOTAL ASSETS			**182.662.868**		**196.220.238**
LIABILITIES					
Short-Term Liabilities			**23.109.264**		**24.045.278**
Bank Borrowings	5	--		3.005.078	
Accounts Payable	6	17.639.565		15.765.151	
Due To Related Parties	*25*	*484.780*		*478.606*	
Other Accounts Payable		*17.154.785*		*15.286.545*	
Other Payables	7	31.240		17.110	
Taxes on Income	23	3.048.369		3.680.310	
Provisions	11	149.029		61.804	
Other Short-Term Liabilities	14	2.241.061		1.515.825	
Long-Term Liabilities			**6.505.900**		**6.392.922**
Employee Benefits	13	4.061.424		3.795.931	
Deferred Tax Liability	23	2.444.476		2.596.991	
EQUITY			**153.047.704**		**165.782.038**
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	17.906.498		12.329.169	
Retained Earnings		40.483.845		51.370.014	
Net Profit For The Year		44.265.666		51.691.160	
TOTAL EQUITY AND LIABILITIES			**182.662.868**		**196.220.238**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Income Statement for the Year Ended 31 December 2008

Amounts expressed in TRY unless otherwise stated.

	Notes	Audited 31 December 2008	 31 December 2007
Revenues	16	247.589.198	253.090.630
Cost of Sales (-)	16	(162.450.680)	(157.272.781)
GROSS PROFIT		**85.138.518**	**95.817.849**
Selling, Marketing and Distribution Expenses (-)	17	(27.053.112)	(22.718.968)
Administrative Expenses (-)	18	(11.464.520)	(8.941.167)
Other Operating Income	20	353.692	1.417.421
Other Operating Expense (-)	20	(679.590)	(5.306.004)
OPERATING PROFIT		**46.294.988**	**60.269.131**
Finance Income	21	13.180.895	10.958.704
Finance Costs (-)	22	(4.169.991)	(6.301.930)
PROFIT BEFORE TAX		**55.305.892**	**64.925.905**
Current Tax Expense	23	(11.192.741)	(13.129.951)
Deferred Tax Credit/(Charge)	23	152.515	(104.794)
NET PROFIT FOR THE YEAR		**44.265.666**	**51.691.160**
EARNINGS PER SHARE (“Ykr”)	24	**0.01804**	**0.02107**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Changes in Equity for the Year Ended 31 December 2008

Amounts expressed in TRY unless otherwise stated.

	Notes	Capital	Inflation Adjustment on Capital	Share Premium	Restricted Reserves: Legal reserves	Restricted Reserves: Special reserves	Restricted Reserves: Total	Retained earnings	Net profit for the year	Total Equity
Balances at 1 January 2007		**24.534.143**	**25.856.460**	**1.092**	**6.404.304**	**46**	**6.404.350**	**41.308.130**	**60.986.703**	**159.090.878**
Transfer to reserves		--	--	--	5.924.819	--	5.924.819	55.061.884	(60.986.703)	--
Dividend paid		--	--	--	--	--	--	(45.000.000)	--	(45.000.000)
Net profit for the year		--	--	--	--	--	--	--	51.691.160	51.691.160
Balances at 31 December 2007	**15**	**24.534.143**	**25.856.460**	**1.092**	**12.329.123**	**46**	**12.329.169**	**51.370.014**	**51.691.160**	**165.782.038**
Transfer to reserves	15	--	--	--	5.577.329	--	5.577.329	46.113.831	(51.691.160)	--
Dividend paid	15	--	--	--	--	--	--	(57.000.000)	--	(57.000.000)
Net profit for the year		--	--	--	--	--	--	--	44.265.666	44.265.666
Balances at 31 December 2008	**15**	**24.534.143**	**25.856.460**	**1.092**	**17.906.452**	**46**	**17.906.498**	**40.483.845**	**44.265.666**	**153.047.704**

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Statement of Cash Flows for the Year Ended 31 December 2008

Amounts expressed in TRY unless otherwise stated.

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	Notes	Audited Current Year 31 December 2008	Audited Prior Year 31 December 2007
Cash flows from operating activities			
Net profit for the year		44.265.666	51.691.160
Adjustments to:			
Depreciation and amortization	9,10	12.074.576	11.179.385
Current tax expense	23	11.192.741	13.129.951
Deferred tax	23	(152.515)	104.794
Increase in provision for employee severance indemnity	13	780.505	193.684
Increase in vacation pay liability		83.404	253.367
Interest income	21	(7.632.349)	(7.540.987)
Interest expense	22	490.067	647.691
Impairment losses on property, plant and equipment	20	--	2.953.015
Loss on sale of property, plant and equipment, net	20	106.160	80.895
Allowance for trade receivables	6	268.452	(34.609)
Other non-cash expense accruals		87.225	(221.309)
Net operating profit before changes in assets and liabilities		**61.563.932**	**72.437.037**
Decrease/(increase) in accounts receivable	6	2.272.954	(11.503.506)
Decrease in due from related parties	25	35.518	399.077
Increase in other receivables		--	(343)
Increase/(decrease) in inventory	8	(429.415)	1.944.531
(Decrease)/increase in other current assets	14	394.806	(7.806.640)
Increase/(decrease) in accounts payable	6	1.868.240	(3.483.707)
Decrease/(increase) in due to related parties	25	(22.988)	72.089
Decrease in other payables		14.130	--
Increase/(decrease) in other liabilities	14	725.235	(274.944)
Corporate taxes paid		(11.824.682)	(11.842.052)
Interest paid		(490.067)	(690.682)
Employee severance indemnity paid	13	(598.416)	(335.064)
Cash flows provided for operating activities		**53.509.247**	**38.915.796**
Investing activities			
Additions to property, plant and equipment and intangible assets	9,10	(5.812.109)	(10.894.247)
Proceeds from sales of property, plant and equipment and intangible assets		43.906	106.215
Cash flow used in investing activities		**(5.768.203)**	**(10.788.032)**
Financing activities			
Decrease in bank borrowings and other financial liabilities		(3.005.078)	(12.282.026)
Dividend paid	15	(56.970.838)	(44.974.454)
Interest received, net		7.575.556	8.156.855
Cash flows used in financing activities		**(52.400.360)**	**(49.099.625)**
Decrease in cash and cash equivalents, net		(4.659.316)	(20.971.861)
Cash and cash equivalents at the beginning of the year		**34.527.181**	**55.499.042**
Cash and cash equivalents at the end of the year	4	**29.867.865**	**34.527.181**

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

1 ORGANIZATION AND NATURE OF BUSINESS

İzocam Ticaret ve Sanayi Anonim Şirketi ("İzocam" or the "Company") was established in 1965. The Company operates in production and sales of organic and inorganic insulation equipments (glass wool and stone wool, mineral wool and expanded and extruded polystyrenes, elastomeric rubber, polyethylene, insulated and noninsulated roof and front panels, partition and mezzanine).

Koç Holding Anonim Şirketi ("Koç Holding"), Semahat S. Arsel, Suna Kıraç, Rahmi M. Koç, Mustafa V. Koç, M. Ömer Koç, Y.Ali Koç, Temel Ticaret ve Yatırım Anonim Şirketi ("Temel Ticaret"), Koç Yapı Malzemeleri Ticaret Anonim Şirketi ("Koç Yapı"), Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret Anonim Şirketi ("RMK Maden") (referred to "Sellers" herein and after) and Compagnie de Saint Gobain Group company, Saint Gobain Isover and Alghanim Group company, Alamana Industries Co. S.A.K. ("Buyers") signed a share purchase agreement ("Share Purchase Agreement") on 5 September 2006, in order to transfer of 61,1935 percent of the shares of İzocam owned by Sellers to the Buyers.

According to the Share Purchase Agreement, 1.314.020.534 shares representing 53,5588 percent of the İzocam paid-in capital has been transferred and alienated to İzocam Holding Anonim Şirketi ("İzocam Holding") (former name of the Company was İzocam İzolasyon Holding Ticaret Anonim Şirketi) which is established by the Buyers on the closing date of 29 November 2006.

According to the usufruct agreement signed on 29 November 2006, usufruct right has been set for the 187.309.862 shares representing 7,6347 percent of Izocam paid-in capital belonging to Koç Yapı and Temel Ticaret. These shares have been transferred to İzocam Holding on 10 July 2007.

On 13 December 2006, İzocam Holding applied to the Capital Market Board of Turkey ("CMB") for a call option to takeover 9.520.839,39 units of the Company shares, each with a nominal value of TRY 1 amounting to total nominal value of TRY 9.520.839,39, which represents 38,8065 percent of İzocam's paid-in capital. The call process ended on 19 February 2007 and by the shares owned through the call, the share of İzocam Holding in İzocam increased to 86,30 percent. İzocam Holding is a joint venture of Compagnie de Saint Gobain Group and Alghanim Group by 50 percent each.

As at 31 December 2008, 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 61,1574 percent of paid-in capital of İzocam not traded on ISE and which İzocam Holding purchased from Koç Group, 831.117.304 shares being traded on ISE and representing 33,9126 percent of paid-in capital of İzocam, the shares of İzocam Holding in İzocam is 95,07 percent.

The Company conducts some of its operations with the related party namely Saint Gobain Group and Alghanim Group of companies. The Company has several related parties as their customers and suppliers (Note 25). The Company is registered at CMB and its shares are listed in ISE since 15 April 1981. As at 31 December 2008, 38,85 percent of the shares of Izocam are publicly traded at ISE.

As at 31 December 2008, the average number of employees of the Company is 447 in which 195 is comprised of white collar employees and 252 is comprised of 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

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 TRY 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 prior year/period 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 of 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 3 March 2009. The general assembly and legal authorities are competent to change the accompanying financial statements.

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 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 TRY based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

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

2.1 Basis of Presentation *(Continued)*

2.1.3 Functional and presentation currency

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

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

2.1.4 Comparative information

The Company has presented the accompanying financial statements comparatively in order to identify the tendency of the Company's financial position, performance and its cash flows.

The Company has made certain reclassifications to the prior period financial statements and notes to the financial statements, which are presented in accordance with the Communiqué No: XI-25 and XI-27 before, in order to be consistent with the Communiqué No: XI-29 issued by CMB on 9 April 2008.

As at 31 December 2007, due from related parties amounting to TRY 117.274 has been reclassed to accounts receivable.

As at 31 December 2007, advances given for inventory presented under inventory amounting to TRY 440.419, advances given for property, plant and equipment presented under property, plant and equipment amounting to TRY 232.747, job advances amounting to TRY 6.241, receivables from employees amounting to TRY 5.869, others amounting to TRY 200 which were presented under other receivables, Value Added Tax ("VAT") for export receivables amounting to TRY 171.987, taxes and funds to be offset amounting to TRY 134.157, prepaid expenses amounting to TRY 37.388 and others amounting to TRY 2.788 which were presented under other current assets have been reclassed to other current assets. As of 31 December 2007, prepaid expenses amounting to TRY 343 which were presented under other current assets have been reclassed to other non-current assets.

As at 31 December 2007, deposits and guarantees received amounting to TRY 10.081 and others amounting to TRY 7.029 which was presented under short-term accounts payable have been reclassed to other payables.

As at 31 December 2007, due to related parties amounting to TRY 478.606 has been reclassed to accounts payable.

As at 31 December 2007, corporate taxes provision amounting to TRY 13.129.951 and prepaid taxes amounting to TRY 9.449.641 presented under short-term expense accruals has been netted off and reclassed to taxes on income.

As at 31 December 2007, withholding taxes and duties payables amounting to TRY 848.783, social security premium payables amounting to TRY 440.333, VAT payables amounting to TRY 211.852 and others amounting to TRY 8.160 which were presented under other short-term financial liabilities has been reclassed to other short-term liabilities.

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

2.1 Basis of Presentation *(Continued)*

2.1.4 Comparative information *(Continued)*

The Company has made necessary reclassifications to the cash flow statement for the year ended 31 December 2007, which is presented in accordance with the Communiqué No: XI-29

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.

2.3 Changes in Accounting Estimates and Errors

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

2.4 New Standards and Interpretations Not Yet Adopted As Of 31 December 2008

The Company has applied all the standards issued by TASB and all the interpretations issued by TASB's Turkish Financial Reporting Interpretation Committee ("TFRIC") which are effective as at 31 December 2008.

Some new standards, amendments to standards and interpretations which are not effective as at 31 December 2008 have not been applied during the preparation of the accompanying financial statements. Those standards are;

TFRS 8 *"Operating Segments"* introduces the "management approach" to segment reporting. Accordingly, TFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by chief operating decision maker. Parts of these internal reports are not necessarily based on the same accounting policies. If the decision maker's performance assessment allows different accounting standards for different segments, reconciliation between total amounts for all reported segments and financial statements will be required. As the Company does not make segment reporting disclosure, this standard will not have an effect on the financial statements.

Revised TAS 23 "Borrowing Costs" removes the option to expense the borrowing costs and requires that an entity capitalize the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised TAS 23 will be mandatory in the Company's 2009 financial statements and any influence on 2009 financial statements is not expected.

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

2.4 New Standards and Interpretations Not Yet Adopted As Of 31 December 2008 *(Continued)*

Revised TFRS 3 "Business Combinations" made changes to the scope of TFRS 3, revised the definition of business, made some revisions at recognition principles of acquired assets and enhanced the disclosure requirements. The revised TFRS 3 is effective for annual financial periods beginning on or after 1 July 2009, with early adoption permitted providing that the entity also applies TAS 27 in the same period beginning on or after 30 September 2007. It is not expected to have any impact on the Company's financial statements.

Revised TAS 27 "Consolidated and Separate Financial Statements" mainly changes the accounting for non-controlling interest and the loss of control of a subsidiary. The revised standard is effective for annual financial periods beginning on or after 1 July 2009, with early adoption permitted providing that the entity also applies TFRS 3 in the same period. It is not expected to have any impact on the Company's financial statements.

Amendments to TFRS 2 "Share-based Payment – Vesting Conditions and Cancellations" clarifies the definition of vesting conditions, introduces the concept of "non vesting conditions", requires non-vesting conditions to be reflected in grant date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to TFRS 2 is effective for annual periods beginning on or after 1 January 2009, with early adoption permitted and is not expected to have any impact on the Company's financial statements.

Amendments to TAS 32 *"Financial Instruments: Presentation"* and *TAS 1 "Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation"* improve the accounting for particular types of financial instruments that have characteristics similar to ordinary shares but are at present classified as financial liabilities. The amendments will apply for annual periods beginning on or after 1 January 2009, with earlier adoption is permitted and is not expected to have any impact on the Company's financial statements.

Revised TAS 1 *"Presentation of Financial Statements"* does not change the recognition measurement or disclosure of transactions and events that are required by other TFRSs. The revised standard introduces as a financial statement the "statement of comprehensive income". The revised standard is effective for annual financial periods beginning on or after 1 January 2009, with early adoption permitted. It is expected to have impact on the Company's financial statements.

TFRIC 13 *"Customer Loyalty Programmes"* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The revised standard is effective for annual financial periods beginning on or after 2009 and is not expected to have any impact on the Company's financial statements.

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 exposure

Transactions in foreign currencies have been translated to TRY at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY 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.

2.5.2 Financial instruments

Non-derivative financial instruments

The Company's non-derivative financial instruments are comprised of accounts receivable, cash and cash equivalents, bank borrowings, accounts payable, due from and to related parties, and other short-term liabilities. Non-derivative financial instruments are recognized at cost. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

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.

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.

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.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.2 Financial instruments (continued)

Short term accounts receivable and payable 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 recognizing the differences between the initial costs in the income statement through the maturity of the financial liabilities.

Accounting for finance income and expenses is discussed in note 2.5.12.

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 recognizing the differences in the fair value of the instrument in income statement.

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. The cost and accumulated depreciation of property, plant and equipment has been written off from the relevant accounts as appropriate.

Subsequent costs

The cost of replacing part of an item of property plant and equipment together with the repair and maintenance costs can be capitalized. 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 income statement on an accrual basis.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.3 Property, plant and equipment (continued)

Depreciation

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

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

Buildings and land improvements	5-50 years
Machinery and equipment	4-25 years
Motor vehicles	4 years
Furniture and fixtures	4-10 years

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

Depreciation method, economic useful lives and net book values of tangible assets are reassessed at every reporting period.

2.5.4 Intangible assets

Intangible assets are comprised of 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 four and six years from the date of acquisition.

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 income statement 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. 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 is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the 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 income statement.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.7 ***Impairment of assets*** *(continued)*

Non-financial assets

At each balance sheet date the Company reviews the carrying amount of the assets except for inventories and deferred tax assets, to determine whether there is an indication 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 first to reduce the carrying amount of goodwill then 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.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.9 Provisions, commitments and contingent assets

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

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities is disclosed in the notes to the financial statements (Note 11).

If the inflow of economic benefits is probable 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, recovery of the consideration and the inflow of economic benefits related with the transaction are probable. 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 of interest income on time deposit, interest income from credit sales and foreign currency gains.

Finance expenses are comprised of interest expenses of loans, foreign currency losses and letter of guarantee commissions.

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

2.5 Significant Accounting Policies *(Continued)*

2.5.13 Income taxes

Income tax expense for the reporting period comprises of current and deferred tax.

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 are recognized using the balance sheet method, providing for 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 deferred tax liabilities related to income taxes levied are by the same taxation authority and there is a legally enforceable right to set off the amounts, the deferred tax assets and deferred tax liabilities are offset accordingly (Note 23).

2.5.14 Earning per share

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

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

2.5.15 Subsequent events

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

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

2.5 Significant Accounting Policies *(Continued)*

2.5.16 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 (Note 25). In general, transactions with related parties because of ordinary operations are performed in line at market prices.

2.5.17 Expenses

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

2.5.18 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.

2.5.19 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.

2.5.20 Offsetting

The Company's financial assets and liabilities are offset and the net amount is presented in the balance sheet when and only when there is a legally enforceable right to set off the amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

2.6 Use of Estimates and Judgments

The preparation of financial statements 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

3 SEGMENT REPORTING

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

4 CASH AND CASH EQUIVALENTS

At 31 December, cash and cash equivalents comprised of the following:

	2008	2007
Banks		
Time deposit	28.877.711	33.231.038
Demand deposit	1.090.189	932.447
Cheques at collection	6.500	412.638
Other cash equivalents	1.276	2.075
	29.975.676	**34.578.198**

As at 31 December 2008, there is no blockage on cash and cash equivalents.

4 CASH AND CASH EQUIVALENTS *(CONTINUED)*

At 31 December, demand deposits comprised of the following currencies (TRY equivalents);

	2008	2007
American Dollar ("USD")	622.279	311.897
TRY	442.438	377.219
European Union Currency ("Euro")	25.472	243.331
	1.090.189	**932.447**

At 31 December, time deposits comprised of the following currencies:

	2008	2007
TRY	25.759.811	19.489.792
USD	1.512.300	11.091.422
Euro	1.605.600	2.649.824
	28.877.711	**33.231.038**

At 31 December 2008, time deposit are denominated in TRY, USD and Euro and weighted average interest rates are 19,63 percent 3,9 percent and 3,25, respectively (2007: 16,5 percent, 5,50 percent and 3,9 percent, respectively). At 31 December 2008 and 2007, maturities of time deposits are less than one month.

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.

Cash and cash equivalents included in the statement of cash flows For the year ended 31 December are comprised of the followings:

	2008	2007
Banks		
Demand deposit	28.877.711	33.231.038
Time deposit	1.090.189	932.447
Cheques at collection	6.500	412.638
Other cash equivalents	1.276	2.075
Less: Interest accruals	(107.811)	(51.017)
	29.867.865	**34.527.181**

5 BANK BORROWINGS

At 31 December, bank borrowings comprised of the followings:

	2008		2007		
Short Term Bank Borrowings	**TRY Amount**	**Interest %**	**EURO**	**TRY**	**Interest %**
Abn Amro Bank N.V.	--	--	--	3.005.078	Euribor+1,25
Total	**--**		**--**	**3.005.078**	

6 ACCOUNTS RECEIVABLE AND PAYABLE

6.1 Short-Term Accounts Receivable

At 31 December, short-term accounts receivables comprised of the followings:

	2008	2007
Accounts receivable	29.097.622	31.368.394
Notes receivable	25.950.793	23.628.050
Cheques receivable	5.241.677	8.876.375
Cheques received	865.558	--
Doubtful receivables	1.120.039	711.342
Less: Allowance for doubtful receivables*	(979.794)	(711.342)
	61.295.895	**63.872.819**

At 31 December 2008, TRY 81.756 of accounts receivable comprised of due from related parties (2007: TRY 117.274) in which detailed presentation is disclosed in Note 25.

*At 31 December 2008 the Company has obtained mortgage as guarantee, for doubtful receivables amounting to TRY 140.245.

At 31 December 2008 and 2007, the movement of allowance for doubtful receivables comprised of the followings:

	2008	2007
Beginning balance	711.342	756.451
Provision for the year	268.452	34.640
Reversals	--	(69.249)
Write offs	--	(10.500)
	979.794	**711.342**

6.2 Short-Term Accounts Payable

At 31 December 2008, short-term accounts payable amounts to TRY 17.639.565 (2007: TRY 15.765.151) arising from payable to various suppliers.

At 31 December 2008, TRY 484,780 of accounts payable comprised of due to related parties (31 December 2007: TRY 478.606) in which detailed presentation is disclosed in Note 25.

7 OTHER RECEIVABLES AND PAYABLES

7.1 Long-Term Other Receivables

At 31 December 2008, long-term receivables comprised of deposits and collaterals amounting to TRY 2.804 (2007: TRY 2.804).

7.2 Short-Term Other Payables

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

	2008	2007
Other payables	31.240	7.029
Deposits and guarantees received	--	10.081
	31.240	**17.110**

8 INVENTORIES

At 31 December, inventories comprised of the following:

	2008	2007
Raw materials and supplies	14.329.532	14.099.425
Finished goods	6.253.665	5.718.264
Trading goods	566.906	902.999
	21.150.103	**20.720.688**

9 PROPERTY, PLANT AND EQUIPMENT

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

Cost	***1 January 2008***	***Additions***	***Transfer***	***Disposals***	***31 December 2008***
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	***1 January 2008***	***Depreciation for the period***	***Transfer***	***Disposals***	***31 December 2008***
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**

For the year ended 31 December 2008, depreciation expenses amounting to TRY 10.624.855 (2007: TRY 10.515.648) has been included under cost of sales, TRY 201.311 (2007: TRY 397.304) has been included under general administrative expenses and TRY 1.212.949 (2007: TRY 200.980) has been capitalized on stocks.

For the year ended 31 December 2008 and 2007 there has been no pledge on property, plant and equipment.

9 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

For the year ended 31 December 2007, movement in the property, plant and equipment comprised of the following:

Cost	1 January 2007	Additions	Transfer (*)	Disposal	31 December 2007
Land	715.231	--	--	--	715.231
Land improvements	3.615.396	--	908.702	(110.992)	4.413.106
Buildings	28.845.966	--	2.163.189	(244.938)	30.764.217
Machinery and equipment	135.115.998	929.495	39.123.578	(10.125.875)	165.043.196
Motor vehicles	72.932	--	481	(73.413)	--
Furniture and fixtures	8.577.798	359.930	(418.786)	(1.123.391)	7.395.551
Leasehold improvements	58.176	--	--	(18.706)	39.470
Construction in progress	17.738.186	9.598.519	(25.010.500)	--	2.326.205
	194.739.683	**10.887.944**	**16.766.664**	**(11.697.315)**	**210.696.976**

Less: Accumulated depreciation	1 January 2007	Depreciation for the period	Transfer (*)	Disposal	31 December 2007
Land improvements	(2.101.419)	(161.254)	(722)	65.915	(2.197.480)
Buildings	(15.613.047)	(1.063.727)	(784)	104.821	(16.572.737)
Machinery and equipment	(108.209.901)	(9.623.075)	1.341.404	7.173.207	(109.318.365)
Motor vehicles	(72.931)	--	(481)	73.412	--
Furniture and fixtures	(7.917.885)	(261.147)	437.556	1.121.131	(6.620.345)
Leasehold improvements	(44.800)	(4.729)		18.702	(30.827)
Total accumulated depreciation	**(133.959.983)**	**(11.113.932)**	**1.776.973**	**8.557.188**	**(134.739.754)**
Net book value	**60.779.700**				**75.957.222**

(*) During 2007, the Company has reviewed the property, plant and equipment on a detailed item basis and reclassified the cost and accumulated depreciation appropriately.

10 INTANGIBLE ASSETS

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

Cost	1 January 2008	Additions	Disposals	31 December 2008
Rights	611.106	37.276	--	648.382
	611.106	**37.276**		**648.382**
Less: Accumulated amortization	***1 January 2008***	***Additions***	***Disposals***	***31 December 2008***
Rights	(554.738)	(35.461)	--	(590.199)
Total accumulated amortization	**(554.738)**	**(35.461)**	**--**	**(590.199)**
Net book value	**56.368**	**1.815**	**--**	**58.183**

For the year ended 31 December 2007, movement in the intangible assets comprised of the following:

Cost	1 January 2007	Additions	Transfer (*)	Disposals	31 December 2007
Rights	916.630	6.303	(230.055)	(81.772)	611.106
	916.630	**6.303**	**(230.055)**	**(81.772)**	**611.106**
Less: Accumulated amortization	***1 January 2007***	***Additions***	***Transfer (*)***	***Disposals***	***31 December 2007***
Rights	(796.924)	(65.453)	230.055	77.584	(554.738)
Total accumulated amortization	**(796.924)**	**(65.453)**	**230.055**	**77.584**	**(554.738)**
Net book value	**119.706**				**56.368**

10 INTANGIBLE ASSETS

(*) During 2007, the Company has reviewed the intangible assets on a detailed item basis and reclassified the cost and accumulated amortization appropriately.

For the year ended 31 December 2008 and 2007, amortization expenses has been included general administrative expenses.

11 PROVISIONS

11.1 Short-Term Provisions

At 31 December 2008 short-term provisions are comprised of administrative expense accruals amounting to TRY 149.029 (2007: TRY 61.804)

12 COMMITMENTS

At 31 December 2008, 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 amounting to TRY 5.989.145 and TRY 488.262, respectively (2007: TRY 3.059.300 and TRY 457.169, respectively).

At 31 December 2008, non-cancellable operating lease rentals are payable as follows:

	Euro
1 year (2009)	232.068
2 years (2010)	97.241
3 years (2011)	772
	330.081

13 EMPLOYEE BENEFITS

At 31 December, employee benefits comprised of the followings:

	2008	**2007**
Provision for employee severance indemnity	3.283.204	3.101.115
Vacation pay liability	778.220	694.816
	4.061.424	**3.795.931**

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.

13 EMPLOYEE BENEFITS *(CONTINUED)*

The severance pay is calculated as one month gross salary for every employment year and as at 31 December 2008 the ceiling amount has been limited to TRY 2.173,18 (2007: TRY 2.030,19).

The liability is not funded, as there is no legal funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

The Company's accounting policies requires the Company to use various statistical methods to determine the employee severance indemnity. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees and reflected in the financial statements. Accordingly, the following statistical assumptions were used in the calculation of the total liability:

	31 December 2008	**31 December 2007**
Discount rate	6,26%	5,71%
Turnover rate to estimate the probability of retirement	8%	10%

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:

	2008	**2007**
Balance at the beginning of the year	3.101.115	3.242.495
Provision for the year	780.505	193.684
Payments	(598.416)	(335.064)
Balance at the end of the year	**3.283.204**	**3.101.115**

14 OTHER ASSETS AND LIABILITIES

14.1 Other Current Assets

At 31 December, other current assets comprised of the following:

	2008	**2007**
VAT for export receivables	199.091	171.987
Advances given for inventory	187.688	440.419
Taxes and funds to be offset or repaid	169.053	134.157
Prepaid expenses	37.538	37.731
Advances given for fixed assets	5.036	232.747
Job advances	3.802	6.241
Other	34.845	8.514
	637.053	**1.031.796**

14 OTHER ASSETS AND LIABILITIES *(CONTINUED)*

14.2 Other Non-Current Assets

At 31 December 2008, other non-current assets comprised of prepaid expenses amounting to TRY 280 (2007: TRY 343).

14.3 Other Short-Term Liabilities

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

	2008	**2007**
Taxes and duties payable	1.356.922	848.783
VAT payable	466.468	211.852
Social security premium payable	408.218	440.333
Payable to employees	1.800	6.697
Other	7.653	8.160
	2.241.061	**1.515.825**

15 EQUITY

15.1 Paid-in Capital / Inflation Adjustment on Capital

At 31 December 2008, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (31 December 2007: 2.453.414.335 shares of Ykr 1 each) of Ykr 1 each. There are no privileges given to different groups or shareholders. The shareholder structure of the Company is as follows:

	31 December 2008		**31 December 2007**	
	Shares	**Ownership interest %**	**Shares**	**Ownership interest %**
İzocam Holding	15.004.304	61,15	15.004.304	61,15
İzocam Holding (Publicly traded)	8.320.173	33,92	8.320.173	33,92
Other	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**	

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 from at TFRS values.

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 2008	**Nominal value**	**Inflation adjustment**	**Restated values**
Share premiums	1.092	223.408	224.500
Profit reserves	17.906.498	23.641.953	41.548.451
Legal reserves	*17.906.452*	*18.710.928*	*36.617.380*
Special reserves	*46*	*4.931.025*	*4.931.071*
Extraordinary reserves	17.905.361	(1.496.872)	16.408.489
	35.812.951	**22.368.489**	**58.181.440**
31 Aralık 2007			
Share premiums	1.092	223.408	224.500
Profit reserves	12.329.169	23.641.953	35.971.122
Legal reserves	*12.329.123*	*18.710.928*	*31.040.051*
Special reserves	*46*	*4.931.025*	*4.931.071*
Extraordinary reserves	28.791.529	(1.496.872)	27.294.657
	41.121.790	**22.368.489**	**63.490.279**

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 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 capital is 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 2008, legal reserves of the Company amounts to TRY 17.906.452 (2007: TRY 12.329.123).

Net distributable profit determined in accordance with the CMB regulations, has to be distributed from the distributable profit of statutory records if it covers the net distributable profit. If there is a loss in the period in one of the financial statements prepared in accordance with CMB regulations or statutory records, no distribution can be made.

15 EQUITY *(CONTINUED)*

Dividend Distribution *(Continued)*

In accordance with the regulations of CMB effective from 1 January 2008, for the corporations listed on the stock exchange, it is stated that the minimum dividend distribution shall be applied as 20 percent of the distributable profit defined in "communiqué on principals regarding distribution of dividend or interim dividend that Publicly Held Joint Stocks Companies are Subject to Regarding the Dividend Distributions" Serial: IV No: 27.

In chapter 5 of 2009/2 weekly bulletin of CMB, to determine the principles of dividend payment from 2008 operations of corporations listed in stock exchange market, it is stated that;

For the corporations listed to stock exchange market, portion of minimum dividend shall be applied as 20 percent as stated in the article numbered as 5 of the Communiqué Serial: IV, No: 27, in accordance with the decision made in annual general meeting the dividend made; in cash or by issuing capitalization shares to partners or some portion in cash and some portion by issuing capitalization shares to partners,

It is decided to cancel the requirement for the corporations that are obliged to issue consolidated financial statements, shall not take into account the profit of subsidiaries that are not decided to be distributed by the general assembly of the subsidiary and presented in the net profit at the financial statements; and the requirement that this amount should be disclosed at the notes of the financial statements and at a paragraph in the independent auditors report. Also it is decided that as long as the distributable profit is met from the own resources in the legal records, the corporations shall calculate the distributable profit based on the profit in the publicly announced financial statements and according to the Seri:XI, No:29 Capital Market Boards Financial Reporting Declaration.

The corporations shall disclose that statutory current year profit after previous year losses deducted and total amount of other resources made subject of dividend in financial statments prepared in accordance with CMB Communiqué Serial: XI No: 29.

As at report date, no decision about dividend has been made.

In the ordinary general assembly held on 20 March 2008, it has been decided that the Company's net profit as at 31 December 2007 amounting to TRY 51.691.160 and TRY 5.308.840 from extraordinary reserves would be distributed as cash dividend. Additionally, it has been decided that TRY 5.577.329 of nominal amounts of extraordinary reserves will be transferred to legal reserves. At 31 December 2008, TRY 56.970.838 of TRY 57.000.000 total dividend has been paid and the remaining portion amounting to TRY 29.162 has been credited to due to related parties.

16 SALES AND COST OF SALES

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

	2008	2007
Domestic sales	212.008.822	216.407.431
Export sales	51.478.863	52.230.916
Other	55.189	88.123
Gross sales	263.542.874	268.726.470
Less: Sales returns and discounts	(15.953.676)	(15.635.840)
Net sales	247.589.198	253.090.630
Less: Cost of sales	(162.450.680)	(157.272.781)
Gross profit	**85.138.518**	**95.817.849**

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

	2008	2007
Raw materials and consumables used	139.183.049	135.031.449
Labor costs	12.443.466	11.715.841
Depreciation	10.624.855	10.716.628
Changes in inventories	199.310	(191.137)
Cost of Sales	**162.450.680**	**157.272.781**

17 SELLING, MARKETING AND DISTRIBUTION EXPENSES

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

	2008	2007
Freight insurance expense	12.759.866	10.630.566
Wages and salaries	4.918.452	4.661.280
Advertisement expense	2.441.113	1.201.183
License fee	2.187.352	2.092.268
Sales commissions	1.663.418	1.207.306
Logistic expense	1.188.117	1.073.682
Agency service expense	708.595	458.564
Exhibition and fair expense	269.112	298.106
Other	917.087	1.096.013
	27.053.112	**22.718.968**

18 ADMINISTRATIVE EXPENSES

For the year ended 31 December, administrative expenses comprised of the following:

	2008	2007
Wages and salaries	7.094.232	4.855.272
Transportation expense	890.029	810.547
IT Expenses	341.731	248.785
Repair, maintenance and energy	326.609	333.621
Communication expense	270.217	233.578
Consultancy expense	238.102	270.726
Depreciation and amortization (Note 9 and 10)	236.772	462.757
Travel expense	234.128	254.852
Subscription fees	214.037	201.135
Taxes other than income	188.680	186.016
Representation fees	162.432	126.796
Research project expenses	131.712	2.829
Rent expense	120.851	110.106
Litigation expense	110.414	87.988
Stationary expenses	50.036	51.011
Insurance expense	42.741	44.418
Other	811.797	660.730
	11.464.520	**8.941.167**

19 EXPENSES BY NATURE

For the year ended 31 December 2008, nature of expenses are disclosed in Notes 9, 10, 16, 17, 18, 20, 21, 22 and 23.

20 OTHER OPERATING INCOME/EXPENSE

20.1 Other Operating Income

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

	2008	2007
Gain on sale of property, plant and equipment	35.544	51.977
Recoveries from reserves	--	69.249
Other	318.148	1.296.195
	353.692	**1.417.421**

20.2 Other Operating Expense

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

	2008	2007
Expense for doubtful receivable accruals	268.452	34.640
Loss on sale of property, plant and equipment	141.704	132.872
Impairment in property, plant and equipment *	--	2.953.015
Idle capacity expense **	--	1.874.360
Other	269.434	311.117
	679.590	**5.306.004**

(*) Since the stone wool and glass wool production unit of the company was renewed, the useful life of the production units that will not be used in the forthcoming periods revised by the Company and related deduction amounting to TRY 2.953.015 was made from tangible assets.

(**) Since the glass and stone wool production unit of the Company was subject to periodical general maintenance during the year 2007, expenses such as electricity, wages and salaries pertaining the maintenance period were classified to the expenses belonging to idle capacity.

21 FINANCE INCOME

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

	2008	2007
Currency exchange gain	5.548.546	3.417.717
Interest income on time deposit	3.170.248	3.370.604
Interest income from credit sales	4.462.101	4.170.383
	13.180.895	**10.958.704**

22 FINANCE EXPENSE

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

	2008	2007
Currency exchange loss	2.927.237	4.990.128
Guarantee letter expense	752.687	664.111
Interest expense on borrowings	490.067	647.691
	4.169.991	**6.301.930**

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.

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.

23 TAX ASSETS AND LIABILITIES *(CONTINUED)*

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:

	2008	**2007**
Corporate tax provision	11.192.741	13.129.951
Prepaid tax	(8.144.372)	(9.449.641)
Total	3.048.369	3.680.310
Deferred tax liability	2.444.476	2.596.991
Corporate tax provision	**5.492.845**	**6.277.301**

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

	2008	**2007**
Current tax	(11.192.741)	(13.129.951)
Deferred tax credit / (expense)	152.515	(104.794)
	(11.040.226)	**(13.234.745)**

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

	2008		**2007**	
		%		%
Profit before tax	55.305.892		64.925.905	
Tax rate	20,00%		20,00%	
Taxes on reported profit per statutory tax rate	(11.061.178)	(20.00)	(12.985.181)	(20.00)
Unrecognized deferred taxes from prior year temporary differences	--	--	(207.052)	(0.032)
Disallowable expenses	(31.444)	(0.06)	(21.778)	(0.03)
Other	52.396	0.10	(20.734)	(0.03)
Taxation charge	(11.040.226)	(19.96)	(13.234.745)	(20.38)

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.

23 TAX ASSETS AND LIABILITIES *(CONTINUED)*

23.1 Deferred Tax Assets and Liabilities *(Continued)*

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. 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 (2007: 20 percent).

Deferred tax assets and deferred tax liabilities at 31 December 2008 and 2007 were attributable to the items detailed in the table below:

	2008 Deferred tax		2007 Deferred tax	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Employee severance indemnity	656.641	--	620.223	--
Vacation pay liability	155.644	--	138.963	--
Unrecognized interest expense	69.504	--	96.214	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(3.109.524)	--	(3.225.050)
Reversal of calculated rediscount expenses according to tax regulations	--	(216.741)	--	(226.613)
Other	--	--	--	(728)
	881.789	(3.326.265)	855.400	(3.452.391)
Offsetting	(881.789)	881.789	(855.400)	855.400
		(2.444.476)		**(2.596.991)**

As at 31 December, there is no unrecognized deferred tax asset and liability.

The movement of deferred tax liabilities is as follow:

	1 January 2007	**Profit or (loss)**	**31 December 2007**	**Profit or (loss)**	**31 December 2008**
Employee severance indemnity	648.499	(28.276)	620.223	36.418	656.641
Vacation pay liability	88.290	50.673	138.963	16.681	155.644
Unrecognised interest expense	13.497	82.717	96.214	(26.709)	69.504
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(3.242.483)	17.433	(3.225.050)	115.526	(3.109.524)
Reversal of calculated rediscount expenses according to tax regulations	--	(226.613)	(226.613)	9.872	(216.741)
Other	--	(728)	(728)	728	--
	(2.492.197)	**(104.794)**	**(2.596.991)**	**152.516**	**(2.444.476)**

24 EARNING PER SHARE

Earning per share is computed by dividing the net profit for the year ended 31 December 2008, amounting to 44.265.666 TRY (2007: TRY 51.691.160) to the weighted average of the shares during these years.

	2008	**2007**
Net profit attributable to the Shareholders	44.265.666	51,691,160
Number of weighted average of ordinary shares	2,453,414,335	2,453,414,335
Earnings per share (Ykr per share)	0,01804	0,02107

25 RELATED PARTIES

25.1 Due from Related Parties

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

	2008	**2007**
JSC Saint Gobain Construction Products Ukraine ("JSC")	42.206	19.247
Saint Gobain Isover Romania SRL ("Isover")	17.261	91.291
Saint Gobain Isover France	14.614	6.736
Saint Gobain Seva France	7.675	--
	81.756	**117.274**

25.2 Due to Related Parties

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

	2008	**2007**
Grunzweig Hartman AG (“Grunzweig”)	165.447	185.307
Saint-Gobain Weber Markem Yapı Kimyasalları Ticaret ve Sanayi Anonim Şirketi (“Weber Markem”)	144.093	131.550
Saint Gobain Isover France	100.611	118.614
Saint-Gobain Glass Romanıa	4.330	--
Saint-Gobain Construction Products Polska Sp. Z.o.o	198	--
Other	70.101	43.135
	484.780	**478.606**

25 RELATED PARTIES *(CONTINUED)*

25.3 Sales to Related Parties

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

	2008	2007
Weber Markem+Maksit	138.917	--
Isover	122.422	1.557.038
JSC	42.206	1.479.620
Saint Gobain Rigips Hellas SA	25.950	--
Saint Gobain Isover France	13.399	--
Saint Gobain Seva France	7.675	--
Saint Gobain Isover Italia S.P.A.	6.972	--
	357.541	**3.036.658**

25.4 Purchases from Related Parties

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

	2008	2007
Weber Markem	892.353	1.271.599
Saint Gobain Isover France	822.363	934.780
Grunzweig	554.029	510.898
Saint-Gobain Construction Products Polska Sp. Z.o.o	166	--
	2.268.911	**2.717.277**

25.5 Other transactions with Related Parties

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

Dividend paid	2008	2007
İzocam Holding	54.189.757	27.519.394
Merkezi Kayıt Kuruluşu ("MKK")	2.767.483	17.434.230
Other	13.598	20.924
	56.970.838	**44.974.548**

At 31 December 2008 and 2007, there are not any letter of guarantees, mortgages or collaterals that are given to related parties.

25 RELATED PARTIES *(CONTINUED)*

25.6 Remuneration to Top Management

Remuneration paid to top management by the Company for the year ended 31 December 2008 is TRY 3.020.467 (2007: TRY 1.714.285).

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 analyse 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.

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

26.1 Financial Risk Management *(Continued)*

26.1.2 Liquidity risk

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

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

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.

26.2 Financial Risk Management

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.

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

26.2 Financial Risk Management *(Continued)*

26.2.1 Interest rate risk

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

	31 December	
Fixed interest rate financial instruments	**2008**	**2007**
Cash and cash equivalents	28.877.711	33.231.038
Borrowings	--	3.005.078

26.2.2 Credit risk

Credit risk is diversified since there are many counterparties in the customer database.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 9 percent of the Company's revenue is attributable to sales transactions with a single customer.

The geographical concentration of receivables excluding related parties exposed to the credit risk at December 31, 2008 is as follow:

	2008	**2007**
1. District Office (Marmara, West Black Sea Regions)	24.254.062	27.607.051
2. District Office (Central Anatolia, Middle Black Sea Regions)	11.850.583	11.620.922
4. District Office (Aegean and Mediterranean Sea Regions)	10.362.563	8.401.569
Middle East, Balkans, Africa and Others	8.266.858	7.028.224
3. District Office (South East Anatolia, East Anatolia, East Black Sea Regions)	6.480.073	9.097.778
	61.214.139	**63.755.544**

At 31 December 2008, the Company has a letter of guarantee amounting to TRY 45.549.373 (2007: TRY 40.515.690), mortgage amounting to TRY 4.498.000 (2007: TRY 4.918.960), eximbank guarantee amounting to TRY 21.968.264 (2007: TRY 11.927.779) and collaterals received as notes amounting to TRY 706.169 (2007: TRY 769.279) that are received as collateral from customers and agencies.

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

26.2 Financial Risk Management *(Continued)*

26.2.2 Credit risk *(continued)*

	Receivables			
	Trade Receivables			
31 December 2008	**Related Party**	**Other Parties**	**Deposits on Banks**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	**81.756**	**61.214.138**	**29.975.676**	**6.477.408**
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	--	5.951.416	--	--
-The portion covered by any guarantee	--	3.344.849	--	--
D. Net carrying value of impaired assets	--	140.245	--	--
-Past due (gross book value)	--	1.120.039	--	--
-Impairement (-)		(979.794)		
-Covered portion of net book value (with letter of guarantee etc.)	--	140.245	--	--
E. Off balance sheet items with credit risks	--	--	--	6.477.408

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

As at 31 December 2008, the Company has no derivative instruments.

The Company works with most of its customers since its foundation and there have not been any losses 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.

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

26.2 Financial Risk Management *(Continued)*

26.2.2 Credit Risk *(Continued)*

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

For the year ended 31 December 2008 past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables	
31 December 2008	**Trade Rceivables**	**Other Receivables**
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**	3.344.848	--

	Receivables			
	Trade Receivables			
31 December 2007	**Related Party**	**Other Parties**	**Deposits on Banks**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	**117.274**	**63.755.545**	**34.578.198**	**--**
A. Net carrying value of financial assets which are neither impaired nor overdue	117.274	58.221.598	34.578.198	--
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	--	5.533.947	--	--
-The portion covered by any guarantee	--	3.582.261	--	--
D. Net carrying value of impaired assets	--	--	--	--
-Over due (gross book value)	--	711.342	--	--
-Impairement (-)		711.342		
E. Off balance sheet items with credit risks	--	--	--	3.516.469

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

At 31 December 2007, the Company has no derivative instruments.

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

26.2 Risk Managment Disclosures *(Continued)*

26.2.2 Credit risk *(continued)*

For the year ended 31 December 2007, past due but not impaired accounts receivables (except due from related parties) are as follows:

	Receivables	
31 December 2007	**Trade Receivables**	**Other Receivables**
Past due 1-30 days	4.001.078	--
Past due 1-3 months	1.532.869	--
Past due 3-12 months	--	--
Past due 1-5 years	--	--
More than 5 years	--	--
The portion secured by guarantee**	3.582.282	--

** At 31 December 2008, the Company has guaranteed its receivables by letter of guarantee amounting to TRY 3.095.319 (2007: TRY 3.380.658), mortgage amounting to TRY 183.040 (2007: TRY 73.119), eximbank guarantee amounting to TRY 66.490 (2007: TRY 128.505). For the year ended 31 December, the Company has neither turned any of these guarantees into cash nor acquired them.

26.2.3 Guarantees

In accordance of the Company policy, total guarantees given amount to TRY 6.477.407 (2007: TRY 3.516.469). These guarantees consist of letter of guarantees given to custom offices, domestic suppliers, banks and tax offices.

26.2.4 Currency risk

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

As at 31 December 2008, net position of the Company is resulted from foreign currency assets and liabilities.

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

26.2.4 Currency risk *(continued)*

FOREIGN CURRENCY POSITION									
	31 December 2008					31 December 2007			
	TRY (Functional Currency)	**USD**	**EURO**	**GPB**		**TRY (Functional Currency)**	**USD**	**EURO**	**GPB**
1.Trade receivables	10.517.021	5.306.612	1.163.736	230		5.352.826	1.691.706	1,438,236	-
2. Monetary financial assets	4.201.744	1.699.842	761.898	-		19.519.953	9.790.778	6,968,863	-
3.Current Assets	**14.718.765**	**7.006.454**	**1.925.634**	**230**		**24.872.779**	**11.482.484**	**8,407,099**	**-**
4.Total Assets	**14.718.765**	**7.006.454**	**1,925,634**	**230**		**24.872.779**	**11.482.484**	**8,407,099**	-
5.Trade payables	(453.209)	(299.682)	-	-		(3.663.432)	(565.256)	(1,757,150)	-
6.Financial liabilities	(525.405)	-	(245,424)	-		(408.295)	-	(238,741)	-
7.Short-term Liabilities	**(978.614)**	**(299.682)**	**(245.424)**	**-**		**(4.071.727)**	**(565.256)**	**(1,995,891)**	**-**
8.Total Liabilities	**(978.614)**	**(299.682)**	**(245.424)**	**-**		**(4.071.727)**	**(565.256)**	**(1,995,891)**	**-**
Total	**13.740.151**					**20,801,052**			

Amount expressed in YTL unless otherwise stated. Currencies other than YTL are expressed in full unless otherwise stated.

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

26.2.4 Currency risk *(continued)*

Currency Sensitivity Analysis Table		
31 December 2008		
	Profit/Loss	
	Appreciation of foreign currency	Devaluation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TRY		
1-Net USD asset/liability	1.014.265	(1.014.265)
2- USD risk averse portion (-)	--	--
3-Net USD Effect (1+2)	**1.014.265**	**(1.014.265)**
Assumption of devaluation/appreciation by 10% of Euro against TRY		
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 TRY		
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)**

Currency Sensitivity Analysis Table		
31 December 2007		
	Profit/Loss	
	Appreciation of foreign currency	Devaluation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TRY		
1-Net USD asset/liability	1.886.160	(1.886.160)
2- USD risk averse portion (-)	--	--
3-Net USD Effect (1+2)	**1.886.160**	**(1.886.160)**
Assumption of devaluation/appreciation by 10% of Euro against TRY		
4-Net Euro asset/liability	193.945	(193.945)
5- Euro risk averse portion (-)	--	--
6- Net Euro Effect (4+5)	**193.945**	**(193.945)**
Total(3+6+9)	**2.080.105**	**(2.080.105)**

For the year ended 31 December, total imports and exports of the Company are as follows:

	2008	**2007**
Total export	51.478.863	52.230.916
Total import	40.211.119	63.989.160

Amount expressed in YTL unless otherwise stated. Currencies other than YTL are expressed in full unless otherwise stated.

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

26.2.5 Liquidity risk

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

The below table shows the monetary assets and liabilities of the Company according to their remaining maturities at 31 December 2008.

	31 December 2008					
	Book Value	**Total contractual cash outflows**	0-3 Months	3-12 Months	1-5 Years	5 years and more
ACCOUNTS PAYABLE						
Trade and other payables	17.186.025	17.186.025	-	17.186.025	-	-
Due to related parties	484.780	484.780	-	484.780	-	-
Employee termination benefits	4.061.424	4.061.424	-	-	-	4.061.424
Provisions	149.029	149.029	-	149.029	-	-
Taxes on income	3.048.369	3.048.369	-	3.048.369	-	-
Other liabilities	2.241.061	2.241.061	2.241.061	-	-	-
Deferred tax liability	2.444.476	2.444.476	-	-	-	2.444.476
Total accounts payable	**29.615.164**	**29.615.164**	**2.241.061**	**20.868.203**	**-**	**6.505.900**

	31 December 2007					
ACCOUNTS PAYABLE						
Short-term financial payables	3.005.078	3.005.078	3.005.078	-	-	-
Trade and other payables	15.303.655	15.303.655	15.303.655	-	-	-
Due to related parties	478.606	478.606	-	478.606	-	-
Employee termination benefits	3.795.931	3.795.931	-	-	-	3.795.931
Provisions	61.804	61.804	-	61.804	-	-
Taxes on income	3.680.310	3.680.310	-	3.680.310	-	-
Other liabilities	1.515.825	1.515.825	1.515.825	-	-	-
Deferred tax liability	2.596.991	2.596.991	-	-	-	2.596.991
Total accounts payable	**30.438.200**	**30.438.200**	**19.824.558**	**4.220.720**	**-**	**6.392.922**

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.

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

The Company has signed a contract with Standart Ünlü Menkul Değerler Anonim Şirketi for the assessment of sale of assets and activities regarding the manufacturing and sale of isolated and non-isolated roof and side panels manufactured at Tekiz Facility which is included in the long term strategic plan for recreating the product portfolio; the Board has decided the Tekiz Facility continue its activities considering the raised bids.

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 result of the investigation was summarized on a pre investigation report with a code of 2008-2-156/OA-08-1A, and the report was discussed in a meeting of Csompetition 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.

On 5 December 2008, the Company has sent preliminary legal argument to “Turkish Competition Board”, about the findings, settlement and evaluations placed into the notice according to the article numbered to 43/2 of the Law numbered to 4054.

In the case of judgment that, the pricing policies of the Company has been subject to abuse the situation within the meaning of the 6th article of the Law about Protection of Competition numbered as 4054, the Company may face an administrative fine of 10 percent of previous year’s net income by Turkish Competition Board.

As at 31 December 2008, the Company has not made provision for the investigation because the investigation has not been resoluted.

29 SUBSEQUENT EVENTS

According to the decree of the Council of Ministers numbered 2007/11963 and dated 4 April 2007, for the currency unit of the Republic of Turkey, the term "New" in the name of the national currency was removed on 1 January 2009.