

İzocam Ticaret ve Sanayi
Anonim Şirketi
Convenience Translation into
English of
Interim Financial Statements
As At and For The Period
Ended 30 September 2008

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Nine-Month Period Ended 30 September 2008

Amount expressed in New Turkish Lira (YTL) unless otherwise stated. Other currencies other than YTL are expressed In full unless otherwise stated.

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İzocam Ticaret ve Sanayi Anonim Şirketi
Interim Balance Sheet as of 30 September 2008

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

	Notes	Unaudited	Audited
		Current Period 30 September 2008	Prior Period 31 December 2007
ASSETS			
Current Assets		106.208.161	120.203.501
Cash and Cash Equivalents	4	12.798.760	34.578.198
Accounts Receivable	6	67.611.689	63.872.819
<i>Due From Related Parties</i>	25	49.178	117.274
<i>Other Accounts Receivable</i>		67.562.511	63.755.545
Inventory	8	25.078.691	20.720.688
Other Current Assets	14	719.021	1.031.796
Non-Current Assets		71.757.570	76.016.737
Other Receivables	7	2.804	2.804
Property, Plant and Equipment	9	71.693.767	75.957.222
Intangible Assets	10	57.593	56.368
Other Non-Current Assets	14	3.406	343
TOTAL ASSETS		177.965.731	196.220.238
LIABILITIES			
Short-Term Liabilities		31.837.959	24.045.278
Bank Borrowings	5	1.057.276	3.005.078
Accounts Payable	6	23.242.332	15.765.151
<i>Due To Related Parties</i>	25	344.676	478.606
<i>Other Accounts Payable</i>		22.897.656	15.286.545
Other Payables	7	2.182	17.110
Taxes on Income	23	2.284.518	3.680.310
Expense Accruals	11	3.918.244	61.804
Other Short-Term Liabilities	14	1.333.407	1.515.825
Long-Term Liabilities		6.509.657	6.392.922
Employee Benefits	13	4.112.748	3.795.931
Deferred Tax Liability	23	2.396.909	2.596.991
EQUITY		139.618.115	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		1.092	1.092
Restricted Reserves		17.906.498	12.329.169
Retained Earnings		40.483.845	51.370.014
Net Profit For The Period		30.836.077	51.691.160
TOTAL EQUITY AND LIABILITIES		177.965.731	196.220.238

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Interim Income Statement for the Nine-Month Period Ended 30 September 2008

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

	Notes	Current Period		Prior Period	
		Unaudited 1 January-30 September 2008	Unaudited 1 July-30 September 2008	Unaudited 1 January-30 September 2007	Unaudited 1 July-30 September 2007
Revenues	16	184.155.711	66.119.919	191.505.252	73.087.431
Cost of Sales (-)	16	(121.190.997)	(44.927.786)	(119.257.695)	(42.395.205)
GROSS PROFIT		62.964.714	21.192.133	72.247.557	30.692.226
Selling, Marketing and Distribution Expenses (-)	17	(20.774.682)	(6.865.996)	(17.758.499)	(6.577.813)
Administrative Expenses (-)	18	(8.744.614)	(2.522.107)	(6.441.002)	(2.015.519)
Other Operating Income	20	184.880	34.941	447.437	146.493
Other Operating Expense (-)	20	(310.884)	(193.527)	(5.162.338)	(125.448)
OPERATING PROFIT		33.319.414	11.645.444	43.333.155	22.119.939
Finance Income	21	8.167.111	1.547.188	7.678.804	2.727.961
Finance Costs (-)	22	(2.969.031)	(432.909)	(3.429.111)	(1.762.703)
PROFIT BEFORE TAX		38.517.494	12.759.723	47.582.848	23.085.197
TAXATION					
Current Tax Expense	23	(7.881.499)	(2.413.574)	(9.538.113)	(4.450.241)
Deferred tax Credit/(Charge)	23	200.082	(140.988)	(208.682)	(182.417)
NET PROFIT FOR THE PERIOD		30.836.077	10.205.161	37.836.053	18.452.539
EARNINGS PER SHARE ("Ykr")	24	0,0126	0,0042	0,0154	0.0075

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Interim Statement of Changes in Equity for the Nine-Month Period Ended 30 September 2008

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

	<u>Paid-in Capital</u>	<u>Inflation Adjustment on Capital</u>	<u>Share Premium</u>	<u>Restricted Reserves</u>			<u>Retained earnings</u>	<u>Net profit for the period</u>	<u>Total equity</u>
				<u>Legal reserves</u>	<u>Special reserves</u>	<u>Total</u>			
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 period	--	--	--	--	--	--	--	37.836.053	37.836.053
Balances at 30 September 2007	24.534.143	25.856.460	1.092	12.329.123	46	12.329.169	51.370.014	37.836.053	151.926.931
Balances at 31 Decemer 2007	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	--	--	--	5.577.329	--	5.577.329	46.113.831	(51.691.160)	--
Dividend paid	--	--	--	--	--	--	(57.000.000)	--	(57.000.000)
Net profit for the period	--	--	--	--	--	--	--	30.836.077	30.836.077
Balances at 30 September 2008	24.534.143	25.856.460	1.092	17.906.452	46	17.906.498	40.483.845	30.836.077	139.618.115

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Interim Statement of Cash Flows for the Nine-Month Period Ended 30 September 2008

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

	Notes	Unaudited	
		Current	Prior Period
		Period 30 September 2008	30 September 2007
Cash flows from operating activities			
Net profit for the period		30.836.077	37.836.053
Adjustments to:			
Depreciation and amortization	9,10	9.034.051	8.129.616
Current tax expense	23	7.881.499	9.538.113
Deferred tax (credit)/charge	23	(200.082)	208.682
Increase in provision for employee severance indemnity	13	812.126	316.689
Increase in vacation pay liability		20.924	150.977
Finance income	21	(5.241.269)	(6.202.668)
Finance cost	22	471.710	430.769
Impairment losses on property, plant and equipment	20	--	2.953.015
(Gain)/loss on sale of property, plant and equipment, net	20	(8.368)	2.737
Allowance for trade receivables	6	156.210	34.640
Other non-cash expense accruals		3.856.440	1.989.549
Non-cash fx gain		--	(1.429.000)
Net operating profit before changes in assets and liabilities		47.619.318	53.959.172
Increase in accounts receivable	6	(4.025.762)	(14.713.673)
Decrease/(increase) in due from related parties	25	68.096	(1.564.590)
Decrease/(increase) in inventory	8	(4.358.003)	544.071
Decrease in other current assets	14	372.299	10.550.542
Increase/(decrease) in accounts payable	6	7.611.111	(4.444.778)
Increase/(decrease) in due to related parties	25	(163.186)	269.999
Decrease in other payables		(14.928)	--
Decrease/(increase) in other liabilities	14	(182.419)	495.024
Taxes paid		(9.277.291)	(7.468.551)
Interest paid		(471.710)	(196.885)
Employee severance indemnity paid		(516.233)	(478.919)
Cash flows from operating activities		(10.958.026)	(17.007.760)
Investing activities			
Additions to property, plant and equipment and intangible assets	9,10	(4.810.286)	(26.345.054)
Proceeds from sales of property, plant and equipment and intangible assets		46.833	125.116
Cash flow used in investing activities		(4.763.453)	(26.219.938)
Financing activities			
Increase in bank borrowings		(1.947.802)	3.240.125
Dividend paid	15	(56.970.744)	(44.973.734)
Interest received, net		5.277.339	6.944.129
Cash flows used in financing activities		(53.641.207)	(34.789.480)
(Decrease)/increase in cash and cash equivalents		(21.743.368)	(24.058.007)
Cash and cash equivalents at the beginning of the period		34.527.181	55.499.042
Cash and cash equivalents at the end of the period	4	12.783.813	31.441.035

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Nine-Month Period Ended 30 September 2008

Amount expressed in New Turkish Lira (YTL) unless otherwise stated. Other currencies other than YTL are expressed in full unless otherwise stated.

1 ORGANIZATION AND NATURE OF BUSINESS

İzocam Ticaret ve Sanayi Anonim Şirketi (“İzocam” or the “Company”) was established in 1965. The Company operates in production 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 Saint Gobain Isover and 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 İzolasyon Holding Anonim Şirketi (“İzocam İzolasyon”) (former name of the Company was İzocam İzolasyon 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 İzocam paid-in capital belonging to Koç Yapı ve Temel Ticaret. These shares have been transferred to İzocam İzolasyon on 10 July 2007.

On 13 December 2006, İzocam İzolasyon 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 YTL 1 amounting to total nominal value of YTL 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 collected through the call, the share of İzocam İzolasyon in İzocam increased to 86,30 percent.

As of 30 September 2008, by collection of shares traded on İstanbul Stock Exchange (“ISE”) and collected shares of İzocam İzolasyon in İzocam have reached to 95,07 percent. Together with 1.501.330.396 shares representing 61,1935 percent of paid-in capital of İzocam not traded on ISE and which İzocam İzolasyon purchased from Koç Group, 831.117.304 shares being traded on ISE and representing 33,8759 percent of paid-in capital of İzocam, the shares of İzocam İzolasyon in İzocam is 95,07 percent.

The Company conducts some of its operations with the related party namely Saint Gobain Group of companies. The Company has several related parties as their customers and suppliers (Note 25). The Company is registered at CMB and its shares are listed in ISE since 15 April 1981. As at 30 September 2008, 38,81 percent of the shares of İzocam are publicly traded at ISE.

As at 30 September 2008, the average number of employees of the Company is 448 in which 196 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

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Nine-Month Period Ended 30 September 2008

Amount expressed in New Turkish Lira (YTL) unless otherwise stated. Other currencies other than YTL are expressed in full unless otherwise stated.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of compliance

The Company maintains its book of accounts and prepares its statutory financial statements in YTL 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 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 31 October 2008.

2.1.2 Basis of presentation of financial statements

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

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

The financial statements are prepared in YTL based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Nine-Month Period Ended 30 September 2008

Amount expressed in New Turkish Lira (YTL) unless otherwise stated. Other currencies other than YTL are expressed in full unless otherwise stated.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of Presentation (Continued)

2.1.2 Basis of presentation of financial statements (Continued)

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

2.1.3 Functional and presentation currency

These financial statements are presented in YTL, which is the Company's functional currency. All financial information presented in YTL 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 of 31 December 2007, due from related parties amounting to TRY 117.274 has been reclassified to accounts receivable.

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

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

As of 31 December 2007, due to related parties amounting to YTL 478.606 has been reclassified to accounts payable.

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Nine-Month Period Ended 30 September 2008

Amount expressed in New Turkish Lira (YTL”) unless otherwise stated. Other currencies other than YTL are expressed In full unless otherwise stated.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of Presentation (Continued)

2.1.4 Comparative information (Continued)

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

As of 31 December 2007, withholding taxes and duties payables amounting to YTL 848.783, social security premium payables amounting to YTL 440.333, VAT payables amounting to YTL 211.852 and others amounting to YTL 8.165 which were presented under other short-term financial liabilities has been reclassified to other short-term liabilities.

For the nine-month and three month period ended 30 September 2007, collateral expenses amounting to YTL 485.533 and YTL 188.915, respectively which were presented under selling, marketing and distribution expenses have been reclassified to finance costs.

For the nine-month and three-month period ended 30 September 2007, general and administrative expense amounting to YTL 6.441.002 and YTL 2.015.519 and selling, marketing and distribution expenses amounting to YTL 17.758.499 and YTL 6.577.813 which were presented under operating expenses have been presented separately in the accompanying financial statements.

For the nine-month and three-month period ended 30 September 2007, interest income on time deposits amounting to YTL 3.298.838 and YTL 825.534, respectively, interest income from credit sales amounting to YTL 2.903.830 and YTL 1.365.328, respectively and currency exchange gain amounting to YTL 1.476.136 and YTL 537.099, respectively which were presented under income from other operations have been reclassified to finance income.

For the nine-month and three-month period ended 30 September 2007, currency exchange losses amounting to YTL 2.513.009 and YTL 1.311.242, respectively which were presented under loss from other operations have been reclassified to finance costs.

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 ad Errors

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

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Nine-Month Period Ended 30 September 2008

Amount expressed in New Turkish Lira (YTL) unless otherwise stated. Other currencies other than YTL are expressed in full unless otherwise stated.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 New Standards and Interpretations Not Yet Adopted As Of 30 September 2008

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB's International Financial Reporting Interpretation Committee ("IFRIC") which are effective as of 30 September 2008.

Some new standards, amendments to standards and interpretations which are not effective as of 30 September 2008 has not been applied during the preparation of the accompanying financial statements. Those standards are;

IFRS 8 "*Operating Segments*" introduces the "management approach" to segment reporting. Accordingly, IFRS 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 IAS 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 IAS 23 will be mandatory in the Company's 2009 financial statements.

Revised IFRS 3 "*Business Combinations*" has made changes in the scope of IFRS 3 and revised the business definition, the principles for accounting of assets acquired and the conditions of disclosures. The revised standard will become mandatory for periods beginning on or after 1 July 2009. Early adoption of this standard is allowed for the financial reporting periods on or starting after 30 September 2007 only and when only IAS 27 should also be applied simultaneously. It is not expected have an effect of Revised IFRS 3 "*Business Combinations*" on the Company's financial statements.

Amended IAS 27 "*Consolidated and Separate Financial Statements*" requires accounting for changes in ownership interests by the Company in a subsidiary. Revised standard will become mandatory for periods starting on or after 1 July 2009. Early adoption of this standard is allowed for the financial reporting periods on or starting after 30 September 2007 only and when only IFRS 3 should also be applied simultaneously. It is not expected to have an effect of IAS 27 "*Consolidated and Separate Financial Statements*" on the Company's financial statements.

Amendment to IFRS 2 "*Share Based Payments-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 IFRS 2 will become mandatory for the Company's 2009 financial statements, with retrospective application. It is not expected to have an effect of this amendment on the Company's financial statements.

İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Nine-Month Period Ended 30 September 2008

Amount expressed in New Turkish Lira (YTL) unless otherwise stated. Other currencies other than YTL are expressed in full unless otherwise stated.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4 New Standards and Interpretations Not Yet Adopted As Of 30 September 2008 (Continued)

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the Company an obligation to deliver to another party a pro rata share of the net assets of the Company only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Company’s 2009 financial statements, with retrospective application required, are not expected to have any impact on the financial statements

Revised IAS 1 Presentation of Financial Statements introduces no changes to the accounting criteria to be applied in accordance with IFRS and transaction disclosures. Revised standard requires comprehensive income statement to be presented as a financial statement. Revised IAS 1, which becomes mandatory for the 2009 financial statements, early adoption of this standard is encouraged.

IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Company’s 2009 financial statements, is not expected to have any impact on the financial statements.

2.5 Significant Accounting Policies

Significant accounting policies applied during the preparation of the financial statements are summarized as follows.

2.5.1 Foreign currency

Transactions in foreign currencies have been translated to YTL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into YTL at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated to YTL with the exchange rates at the dates on which their fair values are determined.

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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Significant Accounting Policies (Continued)

2.5.2 Financial instruments (continued)

Non-derivative financial instruments are recognised 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.

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 amortised cost using the effective interest method, less any impairment losses

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Significant Accounting Policies (Continued)

2.5.2 Financial instruments (continued)

Derivative financial instruments

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in fair value of mentioned financial instruments are recognized in foreign currency gain and loss 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).

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.

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.

Derecognition

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Significant Accounting Policies (Continued)

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.

2.5.5 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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Significant Accounting Policies (Continued)

2.5.7 Impairment of assets (continued)

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.

Non-financial assets

At each balance sheet date the Company reviews the carrying amount of the 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.

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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 Group 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 incomes are 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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Significant Accounting Policies (Continued)

2.5.13 Income taxes

Income tax expense comprises current and deferred tax.

Current 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.

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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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Use of Estimates and Judgments

The preparation of financial statements in conformity with CMB accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparation of the financial statements, the significant estimates and judgments used by the Company are included in the following notes:

Note 27.1 – Determination of fair values

Note 23 – Tax assets and liabilities

Note 13 – Employee benefits

Note 2.5.3 and 2.5.4 – Useful lives of property, plant and equipment and intangible assets

Note 6 – Impairment losses on accounts receivable

Note 8 – Impairment losses on inventories

Note 11 – Expense accruals

3 SEGMENT REPORTING

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

4 CASH AND CASH EQUIVALENTS

At 30 September 2008 and 31 December 2007, cash and cash equivalents comprised of the following:

	30 September 2008	31 December 2007
Banks		
Time deposit	10.296.906	33.231.038
Demand deposit	617.159	932.447
Cheques at collection	1.881.079	412.638
Other cash equivalents	3.616	2.075
	12.798.760	34.578.198

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4 CASH AND CASH EQUIVALENTS (CONTINUED)

At 30 September 2008 and 31 December 2007, demand deposits comprised of the following currencies (YTL equivalents);

	30 September 2008	31 December 2007
YTL	309.760	377.219
American Dollar ("USD")	153.952	311.897
European Union Currency ("Euro")	153.447	243.331
	617.159	932.447

At 30 September 2008 and 31 December 2007, time deposits comprised of the following currencies:

	30 September 2008	31 December 2007
YTL	9.557.466	19.489.792
USD	739.440	11.091.422
Euro	--	2.649.824
	10.296.906	33.231.038

At 30 September 2008, time deposit are denominated in YTL, USD and weighted average interest rates are 17,63 percent and 4,5 percent, respectively. (At 31 December 2007: time deposits are in YTL, USD and Euro and their weighted average interest rates are 16,5 percent, 5,50 percent and 3,9 percent, respectively). At 30 September 2008 and 31 December 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 nine-month period ended 30 September are comprised of the followings:

	2008	2007
Banks		
Demand deposit	10.296.906	27.890.129
Time deposit	617.159	2.500.200
Cheques at collection	1.881.079	1.083.033
Other cash equivalents	3.616	1.202
Less: Interest accruals	(14.947)	(33.529)
	12.783.813	31.441.035

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5 BANK BORROWINGS

At 30 September 2008 and 31 December 2007, bank borrowings comprised of the followings:

	30 September 2008		31 December 2007		
	YTL Amount	Interest %	EURO	YTL	Interest %
Short Term Bank Borrowings					
ING Bank	1.057.276	--	--	--	--
Abn Amro Bank	--	--	--	3.005.078	Euribor+1,25
Total	1.057.276		--	3.005.078	

As of 30 September 2008 short term bank borrowings are comprised of overnight loans from ING Bank which is interest-free and used for payments of social security premiums and other tax payments.

6 ACCOUNTS RECEIVABLE AND PAYABLE

6.1 Short-Term Account Receivable

At 30 September 2008 and 31 December 2007, short-term accounts receivables comprised of the followings:

	30 September 2008	31 December 2007
Accounts receivable	42.661.470	31.368.394
Notes receivable	16.113.000	23.628.050
Cheques receivable	8.837.219	8.876.375
Doubtful receivables	867.552	711.342
Less: Allowance for doubtful receivables	(867.552)	(711.342)
	67.611.689	63.872.819

At 30 September 2008, YTL 49.178 at accounts receivable comprised of due from related parties (At 31 December 2007: YTL 117.274) in which detailed presentation is disclosed in Note 25.

At 30 September 2008 and 31 December 2007, the movement of allowance for doubtful receivables comprised of the followings:

	30 September 2008	31 December 2007
Beginning balance	711.342	756.451
Provision for the period/year	156.210	34.640
Reversals	--	(69.249)
Write-offs	--	(10.500)
	867.552	711.342

6.2 Short-Term Accounts Payable

At 30 September 2008, short-term accounts payable amounts to YTL 23.242.332 (At 31 December 2007 YTL 15.765.151) arising from payable to various suppliers.

At 30 September 2008, YTL 344.676 of accounts payable comprised of due to related parties (At 31 December 2007: YTL 478.606) in which detailed presentation is disclosed in Note 25.

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7 OTHER RECEIVABLES AND PAYABLES

7.1 Long-Term Other Receivables

At 30 September 2008, long-term receivables comprised of deposits and collaterals amounting to YTL 2.804 (31 December 2007: YTL 2.804).

7.2 Short-Term Other Payables

At 30 September 2008 and 31 December 2007, short-term other payables comprised of the following:

	30 September 2008	31 December 2007
Other payables	2.182	7.029
Deposits and guarantees received	--	10.081
	2.182	17.110

8 INVENTORIES

At 30 September 2008 and 31 December 2007, inventories comprised of the following:

	30 September 2008	31 December 2007
Raw materials and supplies	18.080.450	14.099.425
Finished goods	6.270.138	5.718.264
Trading goods	728.103	902.999
	25.078.691	20.720.688

9 PROPERTY, PLANT AND EQUIPMENT

For the period ended 30 September 2008, movement in the property, plant and equipment comprised of the following:

Cost	<u>1 January 2008</u>	<u>Additions</u>	<u>Transfer</u>	<u>Disposals</u>	<u>30 September 2008</u>
Land	715.231	--	--	--	715.231
Land improvements	4.413.106	--	--	--	4.413.106
Buildings	30.764.217	--	2.780.416	--	33.544.633
Machinery and equipment	165.043.196	322.456	3.588.586	(242.812)	168.711.426
Furniture and fixtures	7.395.551	25.386	70.123	(12.401)	7.478.659
Leasehold improvements	39.470	--	--	--	39.470
Construction in progress	2.326.205	4.435.321	(6.439.125)	--	322.401
	210.696.976	4.783.163	--	(255.213)	215.224.926
Less: Accumulated depreciation		<u>Current period depreciation</u>			<u>30 September 2008</u>
	<u>1 January 2008</u>		<u>Transfer</u>	<u>Disposals</u>	<u>2008</u>
Land improvements	(2.197.480)	(119.941)	--	--	(2.317.421)
Buildings	(16.572.737)	(804.027)	--	--	(17.376.764)
Machinery and equipment	(109.318.365)	(7.898.645)	--	216.748	(117.000.262)
Furniture and fixtures	(6.620.345)	(181.998)	--	--	(6.802.343)
Leasehold improvements	(30.827)	(3.542)	--	--	(34.369)
Total accumulated depreciation	(134.739.754)	(9.008.153)	--	216.748	(143.531.159)
Net book value	75.957.222				71.693.767

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PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Cost	<u>1 January 2007</u>	<u>Additions</u>	<u>Transfer (*)</u>	<u>Disposal</u>	<u>31 December 2007</u>
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		Current year depreciation	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)
	(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.

For the period ended 30 September 2008 depreciation expenses amounting to YTL 7.996.487 (30 September 2007; YTL 7.750.805) has been included under cost of sales, YTL 153.257 (30 September 2007; YTL 327.625) has been included under general administrative expenses and YTL 888.409 has been capitalized on stocks.

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INTANGIBLE ASSETS

For the period ended 30 September 2008, movement in the intangible assets comprised of the following:

Cost	<u>1 January 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>30 September 2008</u>
Rights	611.106	27.123	--	638.229
	611.106	27.123		638.229
Less: Accumulated amortization		Current period amortization	Disposals	30 September 2008
Rights	(554.738)	(25.898)	--	(580.636)
	(554.738)	(25.898)	--	(580.636)
Net book value	56.368	1.225		57.593

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

Cost	<u>1 January 2007</u>	<u>Additions</u>	<u>Transfer (*)</u>	<u>Disposals</u>	<u>31 December 2007</u>
Rights	916.630	6.303	(230.055)	(81.772)	611.106
	916.630	6.303	(230.055)	(81.772)	611.106
Less: Accumulated amortization		Current year amortization	Transfer (*)	Disposals	31 December 2007
Rights	(796.924)	(65.453)	230.055	77.584	(554.738)
	(796.924)	(65.453)	230.055	77.584	(554.738)
Net book value	119.706				56.368

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

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11 EXPENSE ACCRUALS

11.1 Short-Term Expense Accruals

At 30 September 2008 and 31 December 2007, short-term expense accruals comprised of the following:

	30 September 2008	31 December 2007
Bonus provisions	2.578.650	--
Sales expense accruals	1.334.982	--
Other expense accruals	4.612	61.804
	3.918.244	61.804

12 COMMITMENTS

At 30 September 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 YTL 3.292.172 and YTL 463.153, respectively (31 December 2007: YTL 3.059.300 and YTL 457.169, respectively).

At 30 September 2008, non-cancellable operating lease rentals are payable as follows:

	Euro
Between 0-9 months	58.017
Between 1-2 years	232.068
Between 2-3 years	97.241
3 years and more	772
	388.098

13 EMPLOYEE BENEFITS

At 30 September 2008 and 31 December 2007, employee benefits comprised of the followings:

	30 September 2008	31 December 2007
Provision for employee severance indemnity	3.397.008	3.101.115
Vacation pay liability	715.740	694.816
	4.112.748	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.

The amount payable consists of one month's salary limited to a maximum of YTL 2.173,18 for each year of service at 30 September 2008 (31 December 2007: YTL 2.030,19).

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13 EMPLOYEE BENEFITS (CONTINUED)

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

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

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

	30 September 2008	31 December 2007
Discount rate	5,71 %	5,71 %
Turnover rate to estimate the probability of retirement	7 %	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:

	30 September 2008	31 December 2007
Balance at the beginning of the period	3.101.115	3.242.495
Provision for the period/year	812.126	193.684
Payments	(516.233)	(335.064)
Balance at the end of the period	3.397.008	3.101.115

14 OTHER ASSETS AND LIABILITIES

14.1 Other Current Assets

At 30 September 2008 and 31 December 2007, other current assets comprised the following:

	30 September 2008	31 December 2007
Prepaid expenses	271.695	37.731
VAT for export receivables	140.505	171.987
Advances given for inventory	74.473	440.419
Taxes and funds to be offset	55.031	134.157
Job advances	25.695	6.241
Advances given for fixed assets	13.342	232.747
Other	138.280	8.514
Total	719.021	1.031.796

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14 OTHER ASSETS AND LIABILITIES (CONTINUED)

14.2 Other Non-Current Assets

At 30 September 2008, other non-current assets comprised of prepaid expenses amounting to YTL 3.406 (31 December 2007: YTL 343).

14.3 Other Short-Term Liabilities

At 30 September 2008 and 31 December 2007, other short-term liabilities comprised the following:

	30 September 2008	31 December 2007
Social security premium payable	844.119	440.333
Withholding taxes and duties	310.689	848.783
VAT Payable	164.978	211.852
Payable to employees	5.000	6.697
Other	8.620	8.160
	1.333.407	1.515.825

15 EQUITY

15.1 Paid-in Capital / Inflation Adjustment on Capital

At 30 September 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:

	30 September 2008		31 December 2007	
	Shares	Ownership interest %	Shares	Ownership interest %
İzocam İzolasyon	15.013.304	61,19	15.013.304	61,19
İzocam İzolasyon (Publicly traded)	8.311.173	33,88	8.311.173	33,88
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 IFRS, 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 IFRS values.

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15 EQUITY (CONTINUED)

15.2 Other Equity Items (Continued)

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

	<u>Nominal value</u>	<u>Inflation adjustment</u>	<u>Restated values</u>
30 September 2008			
Share premiums	1.092	223.408	224.500
Legal reserves	17.906.452	18.710.928	36.617.380
Extraordinary reserves	17.905.361	(1.496.872)	16.408.489
Special reserves	46	4.931.025	4.931.071
	35.812.951	22.368.489	58.181.440
31 December 2007			
Share premiums	1.092	223.408	224.500
Legal reserves	12.329.123	18.710.928	31.040.051
Extraordinary reserves	28.791.529	(1.496.872)	27.294.657
Special reserves	46	4.931.025	4.931.071
	41.121.790	22.368.489	63.490.279

At 30 September 2008 and 31 December 2007, nominal values of extraordinary reserves of the Company in accordance with Tax Laws are YTL 1.513.282 and YTL 12.551.832 respectively. 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 periods.

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 30 September 2008, legal reserves included in the “Restricted Reserves” in the financial statements amounts to YTL 17.906.452 (31 December 2007: YTL 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.

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15 EQUITY (CONTINUED)

15.3 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 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 YTL 51.691.160 and YTL 5.308.840 from extraordinary reserves would be distributed as cash dividend. Additionally, it has been decided that YTL 5.577.329 of nominal amounts of extraordinary reserves will be transferred to legal reserves. At 30 September 2008, YTL 56.970.744 of YTL 57.000.000 total dividend has been paid and the remaining portion amounting to YTL 29.256 has been credited to due to related parties.

16 SALES AND COST OF SALES

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

	For the period ended 30 September 2008		For the period ended 30 September 2007	
	Nine-month period	Three-month period	Nine-month period	Three-month period
Domestic sales	157.887.084	54.598.716	163.536,937	61.010.480
Export sales	38.006.592	15.665.997	39.644,297	16.913.825
Other	52.799	2.783	57.541	29.086
Gross sales	195.946.475	70.267.496	203.238.775	77.953.391
Less: Sales returns and discounts	(11.790.764)	(4.147.577)	(11.733.523)	(4.865.960)
Net sales	184.155.711	66.119.919	191.505.252	73.087.431
Less: Cost of sales	(121.190.997)	(44.927.786)	(119.257.695)	(42.395.205)
Gross profit	62.964.714	21.192.133	72.247.557	30.692.226

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

	2008	2007
Raw materials and consumables used	103.478.722	103.308.346
Personnel expenses	9.344.474	8.290.363
Depreciation	7.996.487	7.750.805
Changes in inventories	401.314	(91.819)
Cost of sales	121.190.997	119.257.695

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17 SELLING, MARKETING AND DISTRIBUTION EXPENSES

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

	For the period ended 30 September 2008		For the period ended 30 September 2007	
	Nine-month period	Three-month period	Nine-month period	Three-month period
Freight insurance expense	9.804.396	3.302.117	7.897.683	3.094.685
Wages and salaries	3.868.322	1.277.163	3.409.617	1.157.822
License fee	1.848.932	403.184	1.720.653	573.014
Advertisement expense	1.678.467	682.655	1.484.415	494.805
Sales commissions	1.290.395	540.796	870.533	351.299
Logistic expense	909.481	357.966	768.758	326.873
Agency service expense	463.318	19.405	453.653	41.939
Exhibition and fair expense	290.120	99.104	405.057	219.957
Other	621.251	183.606	748.130	317.485
	20.774.682	6.865.996	17.758.499	6.577.813

18 ADMINISTRATIVE EXPENSES

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

	For the period ended 30 September 2008		For the period ended 30 September 2007	
	Nine-month period	Three-month period	Nine-month period	Three-month period
Wages and salaries	5.643.769	1.862.823	3.237.871	1.186.715
Transportation expense	671.168	207.810	452.770	145.968
IT Expenses	240.798	75.665	186.291	63.614
Repair, maintenance and energy	232.683	81.039	246.904	128.544
Subscription fees	180.071	111.523	106.398	21.398
Depreciation and amortisation (Note 9 and 10)	179.155	61.133	378.811	65.254
Communication expense	176.617	60.608	157.518	56.813
Travel expense	168.620	30.484	337.189	80.819
Consultancy expense	168.565	49.302	209.893	54.560
Taxes other than income	160.822	18.931	88.373	32.628
Representation fees	113.692	31.043	74.376	18.602
Rent expense	109.629	11.221	100.225	9.882
Litigation expense	45.555	13.829	59.958	34.193
Insurance expense	30.630	44	25.929	132
Other	622.840	(93,348)	778.496	116.397
	8.744.614	2.522.107	6.441.002	2.015.519

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19 EXPENSES BY NATURE

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

	For the period ended 30 September 2008		For the period ended 30 Septe 2007	
	Nine-month period	Three-month period	Nine-month period	Three-month period
Gain on sale of property, plant and equipment	14.147	-	48.162	29.156
Other	170.733	34.941	399.275	117.337
	184.880	34.941	447.437	146.493

20.2 Other Operating Expense

For the periods ended 30 September, loss from other operations comprised of the following:

	For the period ended 30 September 2008		For the period ended 30 September 2007	
	Nine-month period	Three-month period	Nine-month period	Three-month period
Loss on sale of property, plant and equipment	5.779	379	50.899	-
Impairment in property, plant and equipment	--	--	2.953.015	-
Idle capacity expense (*)	--	--	1.874.359	-
Expense for doubtful receivable accruals	156.210	156.210	34.640	34.640
Other	148.895	36.938	249.425	90.808
	310.884	193.527	5.162.338	125.448

(*) 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.

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21 FINANCE INCOME

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

	For the period ended 30 September 2008		For the period ended 30 September 2007	
	Nine-month period	Three-month period	Nine-month period	Three-month period
Interest income from credit sales	3.408.865	1.235.186	2.903.830	1.365.328
Currency exchange gain	2.925.842	53.746	1.476.136	537.099
Interest income on time deposit	1.832.404	258.256	3.298.838	825.534
	8.167.111	1.547.188	7.678.804	2.727.961

22 FINANCE EXPENSE

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

	For the period ended 30 September 2008		For the period ended 30 September 2007	
	Nine-month period	Three-month period	Nine-month period	Three-month period
Currency exchange loss	1.978.735	239.309	2.513.009	1.311.242
Guarantee expense	518.587	164.042	485.333	188.915
Interest expense on borrowings	471.709	29.558	430.769	262.546
	2.969.031	432.909	3.429.111	1.762.703

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 November. 18. 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.

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23

TAX ASSETS AND LIABILITIES (CONTINUED)

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

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

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

At 30 September 2008 and 31 December 2007, total tax liability comprised of the following:

	30 September 2008	31 December 2007
Corporate tax provision	7.881.499	13.129.951
Prepaid tax	(5.596.981)	(9.449.641)
Total	2.284.518	3.680.310
Deferred tax liability	2.396.909	2.596.991
	4.681.427	6.277.301

For the nine-month and three-month period ended 30 September 2008 and 2007 taxation charge in the income statement comprised of the following:

	For the period ended 30 September 2008		For the period ended 30 September 2007	
	Nine- month period	Three-month period	Nine- month period	Three-month period
Current tax	(7.881.499)	(2.413.574)	(9.538.113)	(4.450.241)
Deferred tax credit / (expense)	200.083	(140.988)	(208.682)	(182.417)
	(7.681.417)	(2.554.562)	(9.746.795)	(4.632.658)

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23 TAX ASSETS AND LIABILITIES (CONTINUED)

The reported taxation charge for the period ended 30 September 2008 is different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	30 September 2008		30 September 2007	
		%		%
Profit before tax	38.517.494		47.582.848	
Tax rate	20,00%		20,00%	
Taxes on reported profit per statutory tax rate	(7.703.499)	(20,00)	(9.516.570)	(20,00)
Unrecognized deferred taxes from prior year temporary differences	--	--	(207.052)	(0,43)
Disallowable expenses	(28.249)	(0,07)	(10.717)	(0,02)
Other	50.331	0,013	(12.456)	(0,03)
Taxation charge	(7.681.416)	(19,94)	(9.746.795)	(20,48)

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 periods will be reversed.

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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 periods and considers Turkey's economic and political situation shows clear positive developments. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in the forthcoming years under the balance sheet method using a principal tax rate of 20 percent (31 December 2007: 20 percent).

Deferred tax assets and deferred tax liabilities at 30 September 2008 and 31 December 2007 were attributable to the items detailed in the table below:

	30 September 2008		31 December 2007	
	Deferred tax		Deferred tax	
	asset	liability	asset	liability
Employee severance indemnity	679.403	--	620.223	--
Vacation pay liability	143.148	--	138.963	--
Unrecognised interest expense	86.980	--	96.214	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(3.057.705)	--	(3.225.050)
Reversal of calculated rediscount expenses according to tax regulations	--	(248.734)	--	(226.613)
Other	--	--	--	(728)
	909.531	(3.306.439)	855.400	(3.452.391)
Offsetting	(909.531)	909.530	(855.400)	855.400
		(2.396.909)		(2.596.991)

The movement of deferred tax liabilities is as follow:

	1 January	Profit or	31	Profit or	30
	2007	(loss)	December	(loss)	September
			2007		2008
Employee severance indemnity	648.499	(28.276)	620.223	59.180	679.403
Vacation pay liability	88.290	50.673	138.963	4.185	143.148
Unrecognised interest expense	13.497	82.717	96.214	(9.233)	86.980
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(3.242.483)	17.433	(3.225.050)	167.345	(3.057.705)
Reversal of calculated rediscount expenses according to tax regulations	--	(226.613)	(226.613)	(22.123)	(248.735)
Other	--	(728)	(728)	728	--
	(2.492.197)	(104.794)	(2.596.991)	200.082	(2.396.909)

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24 EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the nine month and three month periods ending 30 September 2008, amounting to YTL 30.836.077 (30 September 2007: YTL 37.836.053) and YTL 10.205.161 (30 September 2007: YTL 18.452.539) respectively to the weighted average of the shares during these periods.

	For the period ended 30 September 2008		For the period ended 30 September 2007	
	Nine-month period	Three-month period	Nine-month period	Three-month period
Net Profit	30.836.077	10.205.161	37.836.053	18.452.359
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335	2.453.414.335	2.453.414.335
Earnings per share (Ykr per share)	0,0126	0,0042	0,0154	0,0075

25 RELATED PARTIES

25.1 Due from Related Parties

At 30 September 2008 and 31 December 2007, due from related parties comprised the following:

	30 September 2008	31 December 2007
JSC Saint Gobain Konstruktion Pr ("JSC")	42.206	19.247
Saint-Gobain Isover İtalia S.P.A	6.972	--
Saint-Gobain Isover Romania SRL ("Isover")	--	91.291
Saint-Gobain Isover	--	6.736
	49.178	117.274

25.2 Due To Related Parties

At 30 September 2008 and 31 December 2007, due to related parties comprised of the following:

	30 September 2008	31 December 2007
Saint-Gobain Weber Markem Yapı Kimyasalları Ticaret ve Sanayi Anonim Şirketi ("Weber Markem")	104.078	131.550
Saint Gobain Isover France	101.544	118.614
Grunzweig Hartman AG ("Grunzweig")	68.590	185.307
Saint-Gobain Construction Products Polska Sp. Z.o.o	166	--
Other	70.298	43.135
	344.676	478.606

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25 RELATED PARTIES (CONTINUED)

25.3 Sales to Related Parties

For the nine-month and three-month periods ended 30 September 2008 and 2007, sales to related parties comprised of the following:

	For the period ended 30 September 2008		For the period ended 30 September 2007	
	Nine-month period	Three-month period	Nine-month period	Three-month period
Isover	105.162	-	1.465.748	645.642
Weber Markem	44.291	38.077	--	--
JSC	42.206	42.206	1.479.620	1.451.976
Rigips Hellas S.A Saint-Gobain	25.950	--	--	--
Saint-Gobain Isover İtalia S.P.A	6.972	6.972	--	--
	224.581	87.255	2.945.368	2.097.618

25.4 Purchases from Related Parties

For the nine-month and three-month periods ended 30 September 2008 and 2007 purchases from related parties comprised of the following:

	For the period ended 30 September 2008		For the period ended 30 September 2007	
	Nine-month period	Three-month period	Nine-month period	Three-month period
Weber Markem	702.548	221.923	1.074.746	371.644
Saint Gobain Isover France	701.898	114.428	799.553	185.519
Grunzweig	460.951	76.212	439.798	126.394
Saint-Gobain Construction Products Polska Sp. Z.o.o	166	166	--	--
	1.865.563	412.729	2.314.097	683.557

25.5 Other Transactions with Related Parties

For the nine-month and three-month periods ended 30 September 2008 and 2007, other transactions with related parties comprised of the following:

	For the period ended 30 September 2008		For the period ended 30 September 2007	
	Nine-month period	Three-month period	Nine-month period	Three-month period
Dividend paid				
İzocam Holding	54.189.757	--	27.519.394	--
Merkezi Kayıt Kuruluşu(“MKK”)	2.767.483	--	17.434.230	--
Other	15.597	8.965	20.010	507
	56.972.837	8.965	44.973.734	507

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25.5 Remuneration to Top Management

Remuneration paid to top management by the Company for the nine-month and three-month periods ended 30 September 2008 are YTL 705.768 and YTL 235.676, respectively (for the nine-month and three-month period ended 30 September 2007 are YTL 649.959 and YTL 213.882, respectively).

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

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 reprice 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.

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

26.1 Financial Risk Management (Continued)

26.1.3 Market risk (continued)

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 Risk Management Disclosures

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

26.2.1 Interest rate risk

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

An increase of 100 basis points (1 percent) in interest rates at 30 September 2008 would have increased net profit by YTL 102.969 (30 September 2007: YTL 177.209). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis in 2007.

26.2.2 Credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 10 percent of the Company's revenue is attributable to sales transactions with a single customer.

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

26.2 Risk Management Disclosures (Continued)

26.2.2 Credit risk (continued)

The geographical concentration of receivables excluding related parties exposed to the credit risk at September 30, 2008 is as follow:

	2008
1. District Office (Marmara. West Black Sea Regions)	31.586.887
2. District Office (Central Anatolia. Middle Black Sea Regions) Middle East. Balkans. Africa and Others	12.828.750
3. District Office (South East Anatolia. East Anatolia. East Black Sea Regions)	10.972.732
4. District Office (Aegean and Mediterranean Sea Regions)	6.416.291
	5.757.850
	67.562.510

At 30 September 2008, the Company has a letter of guarantee amounting to YTL 47.028.866, mortgage amounting to YTL 4.498.000, eximbank guarantee amounting to YTL 15.324.780 and collaterals received as notes amounting to YTL 661.887 that are taken from customers and agencies.

The ownership of financial assets is campaigned by the risk that the other party does not fulfil 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.

The Company works with most of its customers since the earlier ages of the Company and there have not been many 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.

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

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

26.2 Risk Management Disclosures (Continued)

26.2.2 Credit risk (continued)

For the period ended 30 September 2008 and for the year ended 31 December 2007 aging of accounts receivable (except due from related parties) is as follow:

	30 September 2008		31 December 2007	
	Gross receivable	Impairment	Gross receivable	Impairment
Not past due	50.187.792	--	58.221.598	--
Past due 0-30 days	8.829.704	--	4.001.078	--
Past due 31-120 days	7.975.528	--	1.532.870	4.639
More than one year	1.437.039	867.552	711.342	706.703
	68.430.063	867.552	64.466.888	711.342

26.2.3 Guarantees

In accordance of the Company policy, total guarantees given amounting to YTL 4.946.542 are given to custom offices, domestic suppliers, banks and tax offices.

26.2.4 Currency risk

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

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Notes to the Interim Financial Statements as of and for the Nine-Month Period Ended 30 September 2008

Amount expressed in New Turkish Lira (YTL") unless otherwise stated. Other currencies other than YTL are expressed in full unless otherwise stated.

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

26.2 Risk Management Disclosures (Continued)

26.2.4 Currency risk (continued)

At 30 September 2008 and 31 December 2007, the Company's net foreign currency position comprised the following foreign currency based assets and liabilities:

	30 September 2008			31 December 2007		
	Currency Type	Original amount	YTL Amount	Currency Type	Original amount	YTL Amount
Assets						
Cash and cash equivalents	USD	725.391	893.392	USD	9.790.778	11.403.319
Cash and cash equivalents	EUR	85.352	153.447	EUR	1.691.706	2.893.155
Accounts receivable	USD	6.347.311	7.817.348	USD	6.968.863	8.116.634
Accounts receivable	EUR	1.351.294	2.429.357	EUR	1.438.236	2.459.671
Accounts receivable	GBP	3.608	8.166	GBP	--	--
Total			11.301.709			24.872.779
Liabilities						
Accounts payable	USD	(491.757)	(605.648)	USD	(565.256)	(658.354)
Accounts payable	EUR	(233.478)	(419.746)	EUR	(238.741)	(408.295)
Accounts payable	GBP	(2.209)	(4.999)			
Financial liabilities	EUR	--	--	EUR	(1.757.150)	(3.005.078)
Total			(1.030.393)			(4.071.727)
			10.271.316			20.801.052

Under the assumption that a 10 percent depreciation of the YTL against the other currencies at 30 September 2008 would have increased the net profit of the Company by the amount YTL 1.027.132 (30 September 2007: decreased by YTL 598.680). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	30 September 2008	30 September 2007
Change in net profit		
USD	810.509	1.524.761
EUR	216.306	(926.653)
GBP	317	572
	1.027.132	598.680

For the periods ended 30 September, total import and export of the company comprised of the following:

	2008	2007
Total export	38.008.595	39.644.297
Total import	32.273.146	54.258.168

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

26.2 Risk Management Disclosures (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 its 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 30 September 2008 and 31 December 2007.

	30 September 2008					Total
	0-30 Days	30-90 Days	90-180 Days	180-365 Days	365 Days & more	
Cash and cash equivalents	12.798.760	--	--	--	--	12.798.760
Accounts receivable	--	67.562.511	--	--	--	67.562.511
Due from related parties	49.178	--	--	--	--	49.178
Other current assets	663.991	21.130	33.900	--	--	719.021
Total monetary assets	13.511.929	67.583.641	33.900	--	--	81.129.470
Short-term financial liabilities	1.057.276	--	--	--	--	1.057.276
Accounts payable	--	22.771.245	--	126.411	--	22.897.656
Due to related parties	--	344.676	--	--	--	344.676
Employee benefits	--	--	--	--	4.112.748	4.112.748
Expense accruals	--	3.918.244	--	--	--	3.918.244
Taxes on Income	--	2.284.518	--	--	--	2.284.518
Other liabilities	1.333.407	--	--	--	--	1.333.407
Deferred tax liability	--	--	--	--	2.396.909	2.396.909
Total monetary liabilities	2.390.683	29.318.692	--	126.411	6.509.657	38.345.433
Net liquidity position	11.121.246	38.264.949	33.900	(126.411)	(6.509.657)	42.784.037

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

26.2 Risk Management Disclosures (Continued)

26.2.5 Liquidity risk (Continued)

	31 December 2007					Total
	0-30 Days	30-90 Days	90-180 Days	180-365 Days	365 Days & more	
Cash and cash equivalents	34.578.198	--	--	--	--	34.578.198
Accounts receivable	--	63.755.545	--	--	--	63.755.545
Due from related parties	117.274	--	--	--	--	117.274
Other current assets	897.639	134.157	--	--	--	1.031.796
Total monetary assets	35.593.111	63.889.702	--	--	--	99.482.813
Short-term financial liabilities	3.005.078	--	--	--	--	3.005.078
Accounts payable	15.286.545	--	--	--	--	15.286.545
Due to related parties	--	478.606	--	--	--	478.606
Employee benefits	--	--	--	--	3.795.931	3.795.931
Expense accruals	--	61.804	--	--	--	61.804
Taxes on Income	--	3.680.310	--	--	--	3.680.310
Other liabilities	1.515.825	--	--	--	--	1.515.825
Deferred tax liability	--	--	--	--	2.596.991	2.596.991
Total monetary liabilities	19.807.448	4.220.720	--	--	6.392.922	30.421.090
Net liquidity position	15.785.663	59.668.982	--	--	(6.392.922)	69.061.723

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 amortised 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.

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27 FINANCIAL INSTRUMENTS (CONTINUED)

27.1 Determination of Fair Values (Continued)

Trade payables are stated at cost net of interest on credit purchases. Trade payables, net of deferred finance cost are measured at amortised cost using the effective interest rate method by taking into consideration the future cash flows of the original invoices recognised 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; there are no administrative board decisions on this issue.

The current global market turmoil, market confidence and liquidity issues have become key factors in the assessment of future performance of the companies in Turkey similar to the others across the Globe. The instant impact of the global turmoil across global financial markets came out to be a sharp increase in foreign currency exchange rates in Turkey. As of month end TRY has been considerably depreciated against USD and EURO.