KPMG

İzocam Ticaret ve Sanayi Anonim Şirketi

Convenience Translation into English of Interim Financial Statements As At and For The Period Ended 30 June 2008

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

This report is 42 pages.

6 August 2008

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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Independent Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying interim balance sheet of İzocam Ticaret ve Sanayi Anonim Şirketi ("the Company") as of 30 June 2008, and the related interim income statement, the interim statement of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes to the interim financial statements. The Company management is responsible for the preparation and the fair presentation of these interim financial statements in accordance with the financial reporting standards of Capital Market Board of Turkey. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the auditing standards promulgated by Capital Market Board of Turkey. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards promulgated by Capital Market Board of Turkey and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of İzocam Ticaret ve Sanayi Anonim Şirketi as of 30 Jun 2008, and of its financial performance and its cash flows for the six-month period then ended in accordance with the financial reporting standards of Capital Market Board (refer to Note 2).

Additional paragraph for convenience translation to English

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

İstanbul, 6 August 2008

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

Ruşen Fikret Selamet, Partner
İstanbul, Türkiye

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Interim Balance Sheet as of 30 June 2008

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

	Notes	Reviewed Current Period 30 June 2008		Audited Prior Period 31 December 2007	
ASSETS					
Current Assets			**97.621.366**		**120.203.501**
Cash and Cash Equivalents	4	5.274.307		34.578.198	
Accounts Receivable	6	67.071.841		63.872.819	
Due From Related Parties	*25*	*75.851*		*117.274*	
Other Accounts Receivable		*66.995.990*		*63.755.545*	
Inventory	8	23.525.469		20.720.688	
Other Current Assets	14	1.749.749		1.031.796	
Non-Current Assets			**73.973.774**		**76.016.737**
Other Receivables	7	2.804		2.804	
Property, Plant and Equipment	9	73.908.410		75.957.222	
Intangible Assets	10	59.312		56.368	
Other Non-Current Assets	14	3.248		343	
TOTAL ASSETS			**171.595.140**		**196.220.238**
LIABILITIES					
Short-Term Liabilities			**35.636.171**		**24.045.278**
Bank Borrowings	5	4.538.883		3.005.078	
Accounts Payable	6	23.825.416		15.765.151	
Due To Related Parties	*25*	*883.091*		*478.606*	
Other Accounts Payable		*22.942.325*		*15.286.545*	
Other Payables	7	18.341		17.110	
Taxes on Income	23	2.911.559		3.680.310	
Expense Accruals	11	2.794.823		61.804	
Other Short-Term Liabilities	14	1.547.149		1.515.825	
Long-Term Liabilities			**6.546.013**		**6.392.922**
Employee Benefits	13	4.290.094		3.795.931	
Deferred Tax Liability	23	2.255.919		2.596.991	
EQUITY			**129.412.956**		**165.782.038**
Paid-in Capital	15	24.534.143		24.534.143	
Inflation Adjustment on Capital		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		20.630.918		51.691.160	
TOTAL EQUITY AND LIABILITIES			**171.595.140**		**196.220.238**

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

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İzocam Ticaret ve Sanayi Anonim Şirketi
Interim Income Statement for the Six-Month Period Ended 30 June 2008
Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated.

		Current Period		Prior Period	
		Reviewed	Unaudited	Reviewed	Unaudited
	Notes	1 January-30 June 2008	1 April-30 June 2008	1 January-30 June 2007	1 April-30 June 2007
Revenues	16	118.035.792	65.486.593	118.417.821	66.857.999
Cost of Sales (-)	16	(76.263.211)	(42.532.546)	(76.862.490)	(44.227.820)
GROSS PROFIT		**41.772.581**	**22.954.047**	**41.555.331**	**22.630.179**
Selling, Marketing and Distribution Expenses (-)	17	(13.908.686)	(7.214.640)	(11.180.686)	(6.090.221)
Administrative Expenses (-)	18	(6.222.507)	(2.992.021)	(4.425.483)	(2.188.032)
Other Operating Income	20	149.939	60.232	300.944	120.141
Other Operating Expense (-)	20	(117.357)	(67.275)	(5.036.890)	(3.291.821)
OPERATING PROFIT		**21.673.970**	**12.740.343**	**21.213.216**	**11.180.246**
Finance Income	21	6.619.923	1.643.150	4.950.843	1.955.598
Finance Costs (-)	22	(2.536.122)	(1.073.370)	(1.666.408)	(597.733)
PROFIT BEFORE TAX		**25.757.771**	**13.310.123**	**24.497.651**	**12.538.111**
TAXATION					
Current Tax Expense	23	(5.467.925)	(2.941.265)	(5.087.872)	(2.813.424)
Deferred tax Credit/(Charge)	23	341.072	307.403	(26.265)	301.490
NET PROFIT FOR THE PERIOD		**20.630.918**	**10.676.261**	**19.383.514**	**10.026.177**
EARNINGS PER SHARE ("Ykr")	24	0,0084	0,0043	0,0079	0,0041

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Interim Statement of Changes in Equity for the Six-Month Period Ended 30 June 2008

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

				Restricted Reserves					
	Paid-in Capital	Inflation Adjustment on Capital	Share Premium	Legal reserves	Special reserves	Total	Retained earnings	Net profit for the period	Total equity
Balances at 1 January 2007	**24.534.143**	**25.856.460**	**1.092**	**6.404.304**	**46**	**6.404.350**	**41.308.130**	**60.986.703**	**159.090.878**
Transfer to reserves	--	--	--	5.924.819	--	5.924.819	55.061.884	(60.986.703)	--
Dividend paid	--	--	--	--	--	--	(45.000.000)	--	(45.000.000)
Net profit for the period	--	--	--	--	--	--	--	19.383.514	19.383.514
Balances at 30 June 2007	**24.534.143**	**25.856.460**	**1.092**	**12.329.123**	**46**	**12.329.169**	**51.370.014**	**19.383.514**	**133.474.392**
Balances at 31Decemer 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	--	--	--	--	--	--	--	20.630.918	20.630.918
Balances at 30 June 2008	**24.534.143**	**25.856.460**	**1.092**	**17.906.452**	**46**	**17.906.498**	**40.483.845**	**20.630.918**	**129.412.956**

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İzocam Ticaret ve Sanayi Anonim Şirketi

Interim Statement of Cash Flows for the Six-Month Period Ended 30 June 2008

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

		Reviewed	
		Current Period	Prior Period
	Notes	30 June 2008	30 June 2007
Cash flows from operating activities			
Net profit for the period		20.630.918	19.383.514
Adjustments to:			
Depreciation and amortization	9,10	6.009.045	4.892.755
Current tax expense	23	5.467.925	5.087.872
Deferred tax (credit)/charge	23	(341.072)	26.265
Increase in provision for employee severance indemnity	13	649.419	(77.423)
Increase in vacation pay liability		215.412	292.495
Finance income	21	(3.747.826)	(4.941.806)
Finance cost	22	442.151	168.223
Impairment losses on property, plant and equipment	20	--	2.953.015
(Gain)/loss on sale of property, plant and equipment, net	20	(8.747)	31.893
Other non-cash expense accruals		2.733.019	1.115.940
Net operating profit before changes in assets and liabilities		**32.050.244**	**28.932.743**
Increase in accounts receivable	6	(3.296.037)	(10.082.018)
Decrease in due from related parties	25	41.423	235.159
Decrease/(increase) in inventory	8	(2.804.781)	3.065.526
Increase in other current assets	14	(451.511)	(10.387.854)
Increase in accounts payable	6	7.655.780	(5.311.039)
Increase in due to related parties	25	368.357	483.840
Increase in other payables		1.231	(4.824)
Decrease in other liabilities	14	(238.023)	(213.383)
Taxes paid		(6.236.676)	(5.134.218)
Interest paid		(315.780)	(146.156)
Employee severance indemnity paid		(370.668)	(104.631)
Cash flows from operating activities		**26.403.559**	**1.333.145**
Investing activities			
Additions to property, plant and equipment and intangible assets	9,10	(7.371.645)	(7.573.363)
Proceeds from sales of property, plant and equipment and intangible assets		3,417,214	81.991
Cash flow used in investing activities		**(3.954.431)**	**(7.491.372)**
Financing activities			
Increase in bank borrowings		1.407.434	3.240.125
Dividend paid	25	(56.963.872)	(44.973.227)
Interest received, net		3.852.625	4.808.618
Cash flows used in financing activities		**(51.703.813)**	**(36.924.484)**
(Decrease)/increase in cash and cash equivalents		(29.254.684)	(43.082.711)
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	**5.272.497**	**12.416.331**

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

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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 Izocam 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 June 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 June 2008, 38,81 percent of the shares of Izocam are publicly traded at ISE.

As at 30 June 2008, the average number of employees of the Company is 450 in which 197 is comprised of white collar employees and 253 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

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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 7 August 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.

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 reclassed 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 reclassed to other current assets. As of 31 December 2007, prepaid expenses amounting to YTL 343 which were presented under other current assets have been reclassed 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 reclassed to other payables.

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

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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 reclassed 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 reclassed to other short-term liabilities.

For the six-month and three month period ended 30 June 2007, collateral expenses amounting to YTL 296.418 and YTL 166.235, respectively which were presented under selling, marketing and distribution expenses have been reclassed to finance costs.

For the six-month and three-month period ended 30 June 2007, selling, marketing and distribution expenses amounting to YTL 4.425.483 and administrative expenses amounting to YTL 2.188.032 which were presented under operating expenses have been presented separately in the accompanying financial statements.

For the six-month and three-month period ended 30 June 2007, interest income on time deposits amounting to YTL 2.473.304 and YTL 499.184, respectively, interest income from credit sales amounting to YTL 1.538.502 and YTL 1.163.411, respectively and currency exchange gain amounting to YTL 939.037 and YTL 293.003, respectively which were presented under income from other operations have been reclassed to finance income.

For the six-month and three-month period ended 30 June 2007, currency exchange losses amounting to YTL 1.201.167 and YTL 291.216, respectively which were presented under loss from other operations have been reclassed 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.

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

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

Some new standards, amendments to standards and interpretations which are mot effective as of 30 June 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 June 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 June 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.

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

2.4 New Standards and Interpretations Not Yet Adopted As Of 30 June 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.

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.

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 – Determination of fair values
Note 23 – Tax assets and liabilities
Note 13 – Employee benefits
Note 2.5 – 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 June 2008 and 31 December 2007, cash and cash equivalents comprised of the following:

	30 June 2008	31 December 2007
Banks		
Time deposit	3.661.810	33.231.038
Demand deposit	1.467.130	932.447
Cheques at collection	144.325	412.638
Other cash equivalents	1.042	2.075
	5.274.307	**34.578.198**

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4 CASH AND CASH EQUIVALENTS *(CONTINUED)*

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

	30 June 2008	31 December 2007
American Dollar ("USD")	794.873	311.897
YTL	616.342	377.219
European Union Currency ("Euro")	55.915	243.331
	1.467.130	**932.447**

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

	30 June 2008	31 December 2007
YTL	3.661.810	19.489.792
USD	--	11.091.422
Euro	--	2.649.824
	3.661.810	**33.231.038**

At 30 June 2008, time deposit are denominated in YTL and its weighted average interest rate is 18,10 percent. (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 June 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 six-month period ended 30 June are comprised of the followings:

	2008	2007
Banks		
Demand deposit	3.661.810	9.742.002
Time deposit	1.467.130	2.405.931
Cheques at collection	144.325	279.257
Other cash equivalents	1.042	1.143
Less: Interest accruals	(1.810)	(12.002)
	5.272.497	**12.416.331**

5 BANK BORROWINGS

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

	30 June 2008		31 December 2007		
Short Term Bank Borrowings	**YTL Amount**	**Interest %**	**EURO**	**YTL**	**Interest %**
Türkiye İş Bankası	3.138.600	16,75 -16,85	--	--	--
ING Bank	1.400.283	--	--	--	--
Abn Amro Bank	--	--	1.757.150	3.005.078	Euribor+1,25
Total	**4.538.883**		**1.757.150**	**3.005.078**	

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6 ACCOUNTS RECEIVABLE AND PAYABLE

6.1 Short-Term Account Receivable

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

	30 June 2008	31 December 2007
Accounts receivable	46.545.097	31.368.394
Notes receivable	10.361.000	23.628.050
Cheques receivable	10.165.744	8.876.375
Doubtful receivables	711.342	711.342
Less: Allowance for doubtful receivables	(711.342)	(711.342)
	67.071.841	**63.872.819**

At 30 June 2008, YTL 75.851 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 June 2008 and 31 December 2007, the movement of allowance for doubtful receivables comprised of the followings:

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

6.2 Short-Term Accounts Payable

At 30 June 2008, short-term accounts payable amounts to YTL 23.825.416 (At 31 December 2007 YTL 15.765.151) arising from payable to various suppliers.

At 30 June 2008, YTL 883.091 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.

7 OTHER RECEIVABLES AND PAYABLES

7.1 Long-Term Other Receivables

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

	30 June 2008	31 December 2007
Other payables	18.341	7.029
Deposits and guarantees received	--	10.081
	18.341	**17.110**

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8 INVENTORIES

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

	30 June 2008	31 December 2007
Raw materials and supplies	16.484.899	14.099.425
Finished goods	6.273.950	5.718.264
Trading goods	766.620	902.999
	23.525.469	**20.720.688**

9 PROPERTY, PLANT AND EQUIPMENT

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

Cost	***1 January 2008***	***Additions***	***Disposals***	***30 June 2008***
Land	715.231	--	--	715.231
Land improvements	4.413.106	--	--	4.413.106
Buildings	30.764.217	391.435	--	31.155.652
Machinery and equipment	165.043.196	3.016.936	(241.617)	167.818.515
Furniture and fixtures	7.395.551	88.633	(10.742)	7.473.442
Leasehold improvements	39.470	--	--	39.470
Construction in progress	2.326.205	3.856.361	(3.394.713)	2.787.853
	210.696.976	**7.353.365**	**(3.647.072)**	**214.403.269**

Less: Accumulated depreciation	***1 January 2008***	***Current period depreciation***	***Disposals***	***30 June 2008***
Land improvements	(2.197.480)	(80.375)	--	(2.277.855)
Buildings	(16.572.737)	(533.770)	--	(17.106.507)
Machinery and equipment	(109.318.365)	(5.240.734)	230.615	(114.328.484)
Furniture and fixtures	(6.620.345)	(136.467)	7.990	(6.748.822)
Leasehold improvements	(30.827)	(2.364)	--	(33.191)
Total accumulated depreciation	**(134.739.754)**	**(5.993.710)**	**238.605**	**(140.494.859)**
Net book value	**75.957.222**	**1.359.655**	**(3.408.467)**	**73.908.410**

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9 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

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

Cost	1 January 2007	Additions	Transfer (*)	Disposal	31 December 2007
Land	715.231	--	--	--	715.231
Land improvements	3.615.396	--	908.702	(110.992)	4.413.106
Buildings	28.845.966	--	2.163.189	(244.938)	30.764.217
Machinery and equipment	135.115.998	929.495	39.123.578	(10.125.875)	165.043.196
Motor vehicles	72.932	--	481	(73.413)	--
Furniture and fixtures	8.577.798	359.930	(418.786)	(1.123.391)	7.395.551
Leasehold improvements	58.176	--	--	(18.706)	39.470
Construction in progress	17.738.186	9.598.519	(25.010.500)	--	2.326.205
	194.739.683	**20.984.602**	**(1.776.973)**	**(11.697.315)**	**210.696.976**
Less: Accumulated depreciation	1 January 2007	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	**69.459.426**				**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 June 2008 depreciation expenses amounting to YTL 5.161.676 (30 June 2007; YTL 3.938.110) has been included under cost of sales, YTL 102.687 (30 June 2007; YTL 279.424) has been included under general administrative expenses and YTL 729.347 (30 June 2007; YTL 641.088) has been capitalized on stocks.

10 INTANGIBLE ASSETS

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

Cost	1 January 2008	Additions	Disposals	30 June 2008
Rights	611.106	18.280	--	629.386
	611.106	**18.280**		**629.386**
Less: Accumulated amortization	1 January 2008	Current period amortization	Disposals	30 June 2008
Rights	(554.738)	(15.335)	--	(570.073)
	(554.738)	**(15.335)**	**--**	**(570.073)**
Net book value	**56.368**			**59.312**

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

Cost	1 January 2007	Additions	Transfer (*)	Disposals	31 December 2007
Rights	916.630	6.303	(230.055)	(81.772)	611.106
	916.630	**6.303**	**(230.055)**	**(81.772)**	**611.106**
Less: Accumulated amortization	1 January 2007	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 June 2008 and 31 December 2007, short-term expense accruals comprised of the following:

	30 June 2008	31 December 2007
Bonus provisions	1.645.500	--
Sales expense accruals	692.449	--
Sales discount accruals	210.908	--
Other expense accruals	245.966	61.804
	2.794.823	**61.804**

12 COMMITMENTS

At 30 June 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 4.484.095 and YTL 462.446, respectively (31 December 2007: YTL 3.059.300 and YTL 457.169, respectively).
At 30 June 2008, non-cancellable operating lease rentals are payable as follows:

	Euro
Between 0-9 months	14.504
Between 1-2 years	19.339
Between 2-3 years	19.339
3 years and more	4.835
	58.017

13 EMPLOYEE BENEFITS

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

	30 June 2008	31 December 2007
Provision for employee severance indemnity	3.379.866	3.101.115
Vacation pay liability	910.228	694.816
	4.290.094	**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 2.087,32 for each year of service at 30 June 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 June 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. Company calculates provision for employee severance indemnity benefits based on ceiling amounts of YTL 2.087,32 which is effective from 1 January 2008 (31 December 2007: YTL 2.030, 19).

The movement of employee severance indemnity is as follows:

	30 June 2008	31 December 2007
Balance at the beginning of the period	3.101.115	3.242.495
Provision for the period/year	649.419	193.684
Payments	(370.668)	(335.064)
Balance at the end of the period	**3.379.866**	**3.101.115**

14 OTHER ASSETS AND LIABILITIES

14.1 Other Current Assets

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

	30 June 2008	31 December 2007
Advances given for inventory	971.811	440.419
Prepaid expenses	531.550	37.731
VAT for export receivables	93.699	171.987
Advances given for fixed assets	55.736	232.747
Job advances	23.650	6.241
Taxes and funds to be offset	4.646	134.157
Other	68.657	8.514
	1.749.749	**1.031.796**

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14 OTHER ASSETS AND LIABILITES *(CONTINUED)*

14.2 Other Non-Current Assets

At 30 June 2008, other non-current assets comprised of prepaid expenses amounting to YTL 3.248 (31 December 2007: YTL 343).

14.3 Other Short-Term Liabilities

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

	30 June 2008	31 December 2007
VAT Payable	695.946	211.852
Social security premium payable	482.041	440.333
Withholding taxes and duties	327.931	848.783
Payable to employees	33.305	6.697
Other	7.926	8.160
	1.547.149	**1.515.825**

15 EQUITY

15.1 Paid-in Capital / Inflation Adjustment on Capital

At 30 June 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 June 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:

30 June 2008	**Nominal value**	**Inflation adjustment**	**Restated values**
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 June 2008 and 31 December 2007, nominal values of extraordinary reserves of the Company in accordance with Tax Laws are YTL 1.513.282 YTL and 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 June 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 YTL).

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 June 2008, YTL 56.963.872 of YTL 57.000.000 total dividend has been paid and the remaining portion amounting to YTL 36.128 has been credited to due to related parties.

16 SALES AND COST OF SALES

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

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	**Three-month period**	**Six-month period**	**Three-month period**
Domestic sales	103.288.368	57.647.966	102.526.457	58.660.400
Export sales	22.340.595	12.327.041	22.730.472	11.991.647
Other	50.016	17.261	28.455	17.073
Gross sales	125.678.979	69.902.268	125.285.384	70.669.120
Less: Sales returns and discounts	(7.643.187)	(4.415.675)	(6.867.563)	(3.811.121)
Net sales	118.035.792	65.486.593	118.417.821	66.857.999
Less: Cost of sales	(76.263.211)	(42.532.546)	(76.862.490)	(44.227.820)
Gross profit	**41.772.581**	**22.954.047**	**41.555.331**	**22.630.179**

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

	2008	**2007**
Raw materials and consumables used	64.465.862	66.314.732
Personnel expenses	6.216.366	5.506.388
Depreciation	5.161.676	3.938.110
Changes in inventories	419.307	1.103.260
Cost of sales	**76.263.211**	**76.862.490**

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17 SELLING, MARKETING AND DISTRIBUTION EXPENSES

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

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	Three-month period	Six-month period	Three-month period
Freight insurance expense	6.502.279	3.506.963	4.802.998	2.812.417
Wages and salaries	2.591.159	1.337.817	2.251.795	1.118.148
License fee	1.445.748	758.544	1.147.639	637.428
Advertisement expense	995.812	474.966	989.610	494.805
Sales commissions	749.599	429.407	519.234	229.000
Logistic expense	551.515	262.476	441.885	255.649
Agency service expense	443.913	152.603	411.714	188.945
Exhibition and fair expense	191.016	94.296	185.100	92.550
Other	437.645	197.568	430.711	261.279
	13,908,686	**7.214.640**	**11.180.686**	**6.090.221**

18 ADMINISTRATIVE EXPENSES

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

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	Three-month period	Six-month period	Three-month period
Wages and salaries	3.780.946	1.782.352	2.456.655	1.422.406
Transportation expense	463.358	233.787	419.295	212.888
Repair, maintenance and energy	151.644	75.698	118.360	56.037
Taxes other than income	141.891	122.989	55.745	26.517
Travel expense	138.136	61.630	143.878	85.755
Consultancy expense	119.263	44.376	155.333	43.646
Depreciation and amortisation (Note 9 and 10)	118.022	58.403	313.557	46.997
Communication expense	116.008	60.825	100.705	61.079
Rent expense	98.408	19.139	90.343	9.880
Subscription fees	68.548	38.576	85.000	61.005
Litigation expense	31.726	15.672	25.765	7.589
Insurance expense	30.586	4.692	25.797	(3.515)
Other	963.971	473.882	435.050	157.748
	6.222.507	**2.992.021**	**4.425.483**	**2.188.032**

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19 EXPENSES BY NATURE

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

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	Three-month period	Six-month period	Three-month period
Gain on sale of property, plant and equipment	14.147	7.147	19.006	19.006
Other	135.792	53.085	281.938	101.135
	149.939	**60.232**	**300.944**	**120.141**

20.2 Other Operating Expense

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

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	Three-month period	Six-month period	Three-month period
Loss on sale of property, plant and equipment	5.400	2.621	50.899	50.899
Impairment in property, plant and equipment	--	--	2.953.015	2.070.987
Idle capacity expense (*)	--	--	1.874.359	1.130.397
Other	111.957	64.654	158.617	39.538
	117.357	**67.275**	**5.036.890**	**3.291.821**

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

21 FINANCE INCOME

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

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	Three-month period	Six-month period	Three-month period
Currency exchange gain	2.872.097	118.081	939.037	293.003
Interest income from credit sales	2.173.679	1.147.099	1.538.502	1.163.411
Interest income on time deposit	1.574.147	377.970	2.473.304	499.184
	6.619.923	**1.643.150**	**4.950.843**	**1.955.598**

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22 FINANCE EXPENSE

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

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	**Three-month period**	**Six-month period**	**Three-month period**
Currency exchange loss	1.739.426	517.479	1.201.767	291.216
Interest expense on borrowings	442.151	375.157	168.223	140.282
Guarantee expense	354.545	180.734	296.418	166.235
	2.536.122	**1.073.370**	**1.666.408**	**597.733**

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.

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.

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23 TAX ASSETS AND LIABILITIES *(CONTINUED)*

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

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

	30 June 2008	31 December 2007
Corporate tax provision	5.467.925	13.129.951
Prepaid tax	(2.556.366)	(9.449.641)
Total	2.911.559	3.680.310
Deferred tax liability	2.255.919	2.596.991
	5.167.478	**6.277.301**

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

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	Three-month period	Six-month period	Three-month period
Current tax	(5.467.927)	(2.941.267)	(5.087.872)	(2.813.424)
Deferred tax credit / (expense)	341.072	307.403	(26.265)	301.490
	(5.126.855)	**(2.633.864)**	**(5.114.137)**	**(2.511.934)**

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

	30 June 2008		30 June 2007	
		%		%
Profit before tax	25.757.771		24.497.651	
Tax rate	20,00%		20,00%	
Taxes on reported profit per statutory tax rate	(5.151.554)	(20,00)	(4.899.530)	(20,00)
Unrecognized deferred taxes from prior year temporary differences	--	--	(207.052)	(0,85)
Disallowable expenses	(22.544)	(0,09)	(7.555)	(0,03)
Other	47.243	0,19	--	--
Taxation charge	**(5.126.855)**	**(19,90)**	**(5.114.137)**	**(20,88)**

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 June 2008 and 31 December 2007 were attributable to the items detailed in the table below:

	30 June 2008 Deferred tax		31 December 2007 Deferred tax	
	asset	liability	asset	liability
Employee severance indemnity	675.973	--	620.223	--
Vacation pay liability	182.046	--	138.963	--
Unrecognised interest expense	107.333	--	96.214	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(3.063.574)	--	(3.225.050)
Reversal of calculated rediscount expenses according to tax regulations	--	(181.152)	--	(226.613)
Expense accruals	23.455	--	--	
Other	--	--	--	(728)
	988.807	(3.244.726)	855.400	(3.452.391)
Offsetting	(988.807)	988.807	(855.400)	855.400
		(2.255.919)		**(2.596.991)**

The movement of deferred tax liabilities is as follow:

	1 January 2007	Profit or (loss)	31 December 2007	Profit or (loss)	30 June 2008
Employee severance indemnity	648.499	(28.276)	620.223	55.750	675.973
Vacation pay liability	88.290	50.673	138.963	43.083	182.046
Unrecognised interest expense	13.497	82.717	96.214	11.119	107.333
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(3.242.483)	17.433	(3.225.050)	161.476	(3.063.574)
Reversal of calculated rediscount expenses according to tax regulations	--	(226.613)	(226.613)	45.461	(181.152)
Expense accruals	--	--	--	23.455	23.455
Other	--	(728)	(728)	728	--
	(2.492.197)	**(104.794)**	**(2.596.991)**	**341.072**	**(2.255.919)**

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24 EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the six month and three month periods ending 30 June 2008, amounting to YTL 20.630.918 (30 June 2007: YTL 19.383.514) and YTL 10.676.261 (30 June 2007: YTL 10.026.177) respectively to the weighted average of the shares during these periods.

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	**Three-month period**	**Six-month period**	**Three-month period**
Net Profit	20.630.918	10.676.261	19.383.514	10.026.177
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)	0,0084	0,0043	0,0079	0,0041

25 RELATED PARTIES

25.1 Due from Related Parties

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

	30 June 2008	**31 December 2007**
Saint-Gobain Isover Romania SRL ("Isover")	75.851	91.291
JSC Saint Gobain Construktion Pr ("JSC")	--	19.247
Saint-Gobain Isover	--	6.736
	75.851	**117.274**

25.2 Due To Related Parties

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

	30 June 2008	**31 December 2007**
Grunzweig Hartman AG ("Grunzweig")	337.398	185.307
Isover	300.310	118.614
Saint-Gobain Weber Markem Yapı Kimyasalları Ticaret ve Sanayi Anonim Şirketi ("Weber Markem")	167.006	131.550
Other	78.377	43.135
	883.091	**478.606**

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25 RELATED PARTIES *(CONTINUED)*

25.3 Sales to Related Parties

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

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	**Three-month period**	**Six-month period**	**Three-month period**
Isover	105.162	75.850	820.106	253.548
Rigips Hellas S.A Saint-Gobain	25.950	--	--	--
Weber Markem	6.214	3.979	--	--
JSC	--	--	27.644	--
	137.326	**79.829**	**847.750**	**253.548**

25.4 Purchases from Related Parties

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

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	**Three-month period**	**Six-month period**	**Three-month period**
Weber Markem	480.625	277.360	703.102	487.134
Saint Gobain Isover France	587.470	333.578	614.034	234.548
Grunzweig	384.739	160.341	313.404	313.404
	1.452.834	**771.279**	**1.630.540**	**1.035.086**

25.5 Other Transactions with Related Parties

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

	For the period ended 30 June 2008		For the period ended 30 June 2007	
	Six-month period	**Three-month period**	**Six-month period**	**Three-month period**
Dividend paid				
İzocam İzolasyon	54.189.757	--	27.519.394	--
Merkezi Kayıt Kuruluşu ("MKK")	2.767.483	--	17.434.230	--
Other	6.632	6.063	19.603	16.694
	56.963.872	**6.063**	**44.973.227**	**16.694**

25.5 Remuneration to Top Management

Remuneration paid to top management by the Company for the six-month and three-month periods ended 30 June 2008 are YTL 470.092 and YTL 235.301, respectively (for the six-month and three-month period ended 30 June 2007 are YTL 436.077 and 214.052, respectively).

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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 reprise at different times or in differing amounts. The Company manages this risk by means of balancing the interest-earning assets and interest-bearing liabilities as natural precautions. The Company places those interest earning assets at short-term investments.

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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 June 2008 would have decreased net profit by YTL 45,388 (30 June 2007: YTL 144,101). 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 June 30, 2008 is as follow:

	2008
1. District Office (Marmara. West Black Sea Regions)	32.723.287
2. District Office (Central Anatolia. Middle Black Sea Regions)	11.974.321
4. District Office (Aegean and Mediterranean Sea Regions)	7.432.811
Middle East. Balkans. Africa and Others	8.199.023
3. District Office (South East Anatolia. East Anatolia. East Black Sea Regions)	6.666.548
	66.995.990

At 30 June 2008, the Company has a letter of guarantee amounting to YTL 43.879.528 , mortgage amounting to YTL 4.678.000, eximbank guarantee amounting to YTL 15.386.902 and collaterals received as notes amounting to YTL 659.476 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 June 2008 and for the year ended 31 December 2007 aging of accounts receivable (except due from related parties) is as follow:

	30 June 2008		31 December 2007	
	Gross receivable	**Impairment**	**Gross receivable**	**Impairment**
Not past due	52.973.974	--	58.221.598	--
Past due 0-30 days	7.576.089	--	4.001.078	--
Past due 31-120 days	6.445.927	--	1.532.868	4.638
More than one year	711.342	711.342	711.342	706.703
	67.707.332	**711.342**	**64.466.886**	**711.341**

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

	30 June 2008			31 December 2007		
Assets	**Currency Type**	**Original amount**	**YTL Amount**	**Currency Type**	**Original amount**	**YTL Amount**
Cash and cash equivalents	USD	649.565	794.873	USD	9.790.778	11.403.319
Cash and cash equivalents	EUR	29.015	55.915	EUR	1.691.706	2.893.155
Accounts receivable	USD	8.924.154	10.920.488	USD	6.968.863	8.116.634
Accounts receivable	EUR	1.252.728	2.414.132	EUR	1.438.236	2.459.671
Accounts receivable	GBP	3.608	8.765	GBP	--	--
Total			**14.194.173**			**24.872.779**
Liabilities						
Accounts payable	USD	(372.002)	(455.219)	USD	(565.256)	(658.354)
Accounts payable	EUR	(467.399)	(900.724)	EUR	(238.741)	(408.295)
Financial liabilities	EUR	--	--	EUR	(1.757.150)	(3.005.078)
Total			**(1.355.943)**			**(4.071.727)**
			12.838.230			**20.801.052**

Under the assumption that a 10 percent depreciation of the YTL against the other currencies at 30 June 2008 would have increased the net profit of the Company by the amount YTL 1.283.823 (30 June 2007: decreased by YTL 552.294). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	30 June 2008	**30 June 2007**
Change in net profit		
USD	1.126.014	944.557
EUR	156.932	(1.498.005)
GBP	877	1.154
	1.283.823	**(552.294)**

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

	2008	**2007**
Total export	22.340.595	22.730.472
Total import	21.242.628	40.434.253

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

The below table shows the monetary assets and liabilities of the Company according to their remaining maturities at 30 June 2008 and 31 December 2007.

	30 June 2008					
	0-30 Days	30-90 Days	90-180 Days	180-365 Days	365 Days & more	Total
Cash and cash equivalents	5.274.307	--	--	--	--	5.274.307
Accounts receivable	--	66.995.990	--	--	--	66.995.990
Due from related parties	75.851	--	--	--	--	75.851
Other current assets	1.745.103	4.646	--	--	--	1.749.749
Total monetary assets	**7.095.261**	**67.000.636**	**--**	**--**	**--**	**74.095.897**
Short-term financial liabilities	4.538.883			--	--	4.538.883
Accounts payable	16.536.784	6.309.472	95.949	--	--	22.942.325
Due to related parties	--	883.091	--	--	--	883.091
Employee benefits	--	--	--	--	4.290.094	4.290.094
Expense accruals	--	2.794.823	--	--	--	2.794.823
Taxes on Income	--	2.911.559	--	--	--	2.911.559
Other liabilities	1.547.149	--	--	--	--	1.547.149
Deferred tax liability	--	--	--	--	2.255.919	2.255.919
Total monetary liabilities	**22.622.816**	**12.898.945**	**95.949**	**--**	**6.546.013**	**42.163.843**

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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					
	0-30 Days	30-90 Days	90-180 Days	180-365 Days	365 Days & more	Total
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**

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.

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.

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