



**İzocam Ticaret ve Sanayi  
Anonim Şirketi**  
Convenience Translation into  
English of Interim Financial  
Statements as of and for the  
Six-Month Period Ended 30  
June 2007 With Independent  
Report on Review of Interim  
Financial Information

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali  
Müşavirlik Anonim Şirketi  
This report is 38 pages  
16 August 2007



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
Yapı Kredi Plaza C Blok Kat 17  
Büyükdere Caddesi  
Levent 34330 İstanbul

Telephone +90 (212) 317 74 00  
Fax +90 (212) 317 73 00  
Internet www.kpmg.com.tr

## **INDEPENDENT REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY-30 JUNE 2007**

To the Board of Director's of İzocam Ticaret ve Sanayi Anonim Şirketi

### *Introduction*

We have reviewed the accompanying interim balance sheet of İzocam Ticaret ve Sanayi Ticaret Anonim Şirketi as of 30 June 2007, and the related interim income statement, the interim statements 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 Sanayi ve Ticaret Anonim Şirketi as of 30 June 2007, 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, 16 August 2007

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ



Ruşen Fikret Selamet, Partner  
İstanbul, Turkey

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

### **Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007**

*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

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# İzocam Ticaret ve Sanayi Anonim Şirketi

## Interim Balance Sheet as of 30 June 2007

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

	<u>Note</u>	<u>Reviewed Current Period 30 June 2007</u>	<u>Audited Prior Period 31 December 2006</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
		<b>97,962,786</b>	<b>141,864,993</b>
Cash and Cash Equivalents	4	12,428,333	55,752,338
Marketable Securities (net)	5	--	--
Accounts Receivable (net)	7	62,157,519	52,631,019
Finance Lease Receivables (net)	8	--	--
Due from Related Parties (net)	9	281,192	516,351
Other Receivables (net)	10	48,626	13,194
Biological Assets (net)	11	--	--
Inventory (net)	12	20,973,763	23,070,256
Due from Customers for Contract Work (net)	13	--	--
Deferred Tax Assets	14	--	--
Other Current Assets	15	2,073,353	9,881,835
<b>Non-Current Assets</b>			
		<b>79,172,327</b>	<b>69,581,936</b>
Accounts Receivable (net)	7	2,804	2,804
Finance Lease Receivables (net)	8	--	--
Due from Related Parties (net)	9	--	--
Other Receivables (net)	10	--	--
Investments (net)	16	--	--
Goodwill/Badwill	17	--	--
Investment Property (net)	18	--	--
Property, Plant and Equipment (net)	19	79,083,950	69,459,426
Intangible Assets (net)	20	85,573	119,706
Deferred Tax Assets	14	--	--
Other Non-Current Assets	15	--	--
<b>Total Assets</b>		<b>177,135,113</b>	<b>211,446,929</b>

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

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Interim Balance Sheet as of 30 June 2007

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

		Reviewed	Audited
		Current Period	Prior Period
	Note	30 June 2007	31 December 2006
<b>LIABILITIES</b>			
<b>Short-Term Liabilities</b>		<b>22,937,759</b>	<b>30,849,815</b>
Bank Borrowings (net)	6	--	--
Short-Term Portion of Long-Term Bank Borrowings (net)	6	3,252,172	--
Finance Lease Payables (net)	8	--	--
Other Financial Liabilities (net)	10	1,105,123	1,333,564
Accounts Payable (net)	7	13,471,659	18,787,522
Due to Related Parties (net)	9	864,811	380,971
Advances Received	21	--	--
Due to Customers for Contract Work (net)	13	--	--
Expense Accruals	23	4,233,859	9,890,713
Deferred Tax Liabilities	14	--	--
Other Liabilities (net)	15	10,135	457,045
<b>Long-Term Liabilities</b>		<b>20,722,962</b>	<b>21,506,236</b>
Bank Borrowings (net)	6	14,410,115	15,330,095
Finance Lease Payables (net)	8	--	--
Other Financial Liabilities (net)	10	--	--
Accounts Payable (net)	7	--	--
Due to Related Parties (net)	9	--	--
Advances Received	21	--	--
Expense Accruals	23	3,794,385	3,683,944
Deferred Tax Liabilities	14	2,518,462	2,492,197
Other Liabilities (net)	15	--	--
<b>MINORITY INTEREST</b>	24	--	--
<b>EQUITY</b>		<b>133,474,392</b>	<b>159,090,878</b>
Paid-in Capital	25	24,534,143	24,534,143
Treasury Stock	25	--	--
Capital Reserves	26	48,226,041	48,226,041
Share Premium		1,092	1,092
Share Certificates Cancellation Income		--	--
Revaluation Reserve		--	--
Fair Value Reserve		--	--
Inflation Adjustments on Equity Items		48,224,949	48,224,949
Profit Reserves	26, 27	41,120,698	25,133,995
Legal Reserves		12,329,123	6,404,304
Status Reserves		--	--
Extraordinary Reserves		28,791,529	18,729,645
Special Reserves		46	46
Gain on sales of investments and property to be transferred to share capital		--	--
Translation Reserve		--	--
Net Profit for the Period		19,383,514	60,986,703
Retained Earnings/Accumulated Losses	28	209,996	209,996
<b>Total Equity and Liabilities</b>		<b>177,135,113</b>	<b>211,446,929</b>

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

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Interim Income Statement for the Six-Month Period Ended 30 June 2007

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

	Note	Current Period 30 June 2007		Prior Period 30 June 2006	
		Reviewed 1 January- 30 June 2007	Unaudited 1 April- 30 June 2007	Reviewed 1 January- 30 June 2007	Unaudited 1 April- 30 June 2006
<b>OPERATING INCOME</b>					
Net Sales	36	118,417,821	66,857,999	103,585,102	60,675,531
Cost of Sales	36	(76,862,490)	(44,227,820)	(68,887,142)	(40,669,708)
Service Income	36	--	--	--	--
Other Operating Income (net)	36	--	--	--	--
<b>GROSS PROFIT</b>		<b>41,555,331</b>	<b>22,630,179</b>	<b>34,697,960</b>	<b>20,005,823</b>
Operating Expenses	37	(15,902,587)	(8,444,488)	(15,916,175)	(7,961,203)
<b>NET OPERATING INCOME</b>		<b>25,652,744</b>	<b>14,185,691</b>	<b>18,781,785</b>	<b>12,044,620</b>
Income from Other Operations	38	5,251,787	2,075,739	4,156,770	2,848,787
Loss from Other Operations (-)	38	(6,238,657)	(3,583,037)	(3,772,776)	(3,113,208)
Finance Costs	39	(168,223)	(140,282)	(350,963)	(257,351)
<b>OPERATING PROFIT</b>		<b>24,497,651</b>	<b>12,538,111</b>	<b>18,814,816</b>	<b>11,522,848</b>
Monetary Gain/Loss	40	--	--	--	--
<b>MINORITY INTEREST</b>	24	--	--	--	--
<b>PROFIT BEFORE TAX</b>		<b>24,497,651</b>	<b>12,538,111</b>	<b>18,814,816</b>	<b>11,522,848</b>
Taxation Charge	41	(5,114,137)	(2,511,934)	(2,420,792)	(212,793)
<b>NET PROFIT FOR THE PERIOD</b>		<b>19,383,514</b>	<b>10,026,177</b>	<b>16,394,024</b>	<b>11,310,055</b>
<b>EARNINGS PER SHARE</b>					
New Kuruş ("Ykr")	42	<b>0.790</b>	<b>0.409</b>	<b>0.668</b>	<b>0.461</b>

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

## İzocam Ticaret ve Sanayi Anonim Şirketi

### Interim Statement of Changes in Equity for the Six-Month Period Ended 30 June 2007

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

	<u>Paid-in Capital</u>	<u>Share Premium</u>	<u>Inflation Adjustments on Equity Items</u>	<u>Fair Value Reserve</u>	<u>Legal Reserves</u>	<u>Extraordinary Reserves</u>
<b>Balances as of 1 January 2006</b>	<b>24,534,143</b>	<b>1,092</b>	<b>48,224,949</b>	<b>19,371,709</b>	<b>4,311,006</b>	<b>11,580,808</b>
Change in fair values, net	--	--	--	3,652,456	--	--
Transfer to reserves	--	--	--	--	1,111,932	19,170,568
Dividend paid	--	--	--	--	--	(11,040,365)
Net profit for the period	--	--	--	--	--	--
<b>Balances as of 30 June 2006</b>	<b>24,534,143</b>	<b>1,092</b>	<b>48,224,949</b>	<b>23,024,165</b>	<b>5,422,938</b>	<b>19,711,011</b>
Sale of financial asset	--	--	--	(23,024,165)	--	--
Transfer to reserves	--	--	--	--	981,366	(981,366)
Net profit for the period	--	--	--	--	--	--
<b>Balances as of 31 December 2006</b>	<b>24,534,143</b>	<b>1,092</b>	<b>48,224,949</b>	--	<b>6,404,304</b>	<b>18,729,645</b>
Transfer to reserves	--	--	--	--	5,924,819	22,074,567
Dividend paid	--	--	--	--	--	(12,012,683)
Net profit for the period	--	--	--	--	--	--
<b>Balances as of 30 June 2007</b>	<b>24,534,143</b>	<b>1,092</b>	<b>48,224,949</b>	--	<b>12,329,123</b>	<b>28,791,529</b>

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

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Interim Statement of Cash Flows for the Six-Month Periods Ended 30 June 2007 and 2006

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

		Current Period Reviewed	Prior Period Reviewed
	Note	1 January- 30 June 2007	1 January- 30 June 2006
<b>Cash flows from operating activities</b>			
Profit before tax		24,497,651	18,814,816
<b>Components of profit before tax not generating or using cash</b>			
Depreciation and amortization	19, 20	4,892,755	4,446,143
Increase/(decrease) in provision for employee severance indemnity	23	(77,423)	581,786
Increase in vacation pay liability	23	292,495	--
Interest income	38	(4,011,806)	(561,887)
Interest expense	39	168,223	350,963
Impairment losses on tangible assets	38	2,953,015	--
(Gain)/loss on sale of tangible assets, net	38	31,893	(124,216)
Allowance for doubtful receivables		--	(118,371)
Other expense accruals		1,115,940	(159,139)
Unrealized foreign exchange losses		(930,000)	--
<b>Net cash before changes in assets and liabilities</b>		<b>28,932,743</b>	<b>23,230,095</b>
Increase in accounts receivable	7	(10,082,018)	(13,238,176)
Decrease in due from related parties	9	235,159	597,072
Increase in other receivables	10	(35,432)	(76,106)
(Increase)/decrease in inventory	12	2,096,493	(3,039,493)
Decrease in other current assets	15	593,293	3,564,930
Increase/(decrease) in accounts payable	7	(5,342,636)	749,801
Increase/(decrease) in due to related parties	9	483,840	119,544
Changes in investments		--	(2,214,805)
Increase/(decrease) in other liabilities	10, 15, 23	(186,610)	(1,515,394)
Taxes paid	43	(5,134,218)	(8,865,391)
Interest paid		(146,156)	--
Employee severance indemnity paid	23	(104,631)	(187,428)
<b>Cash flows used in operating activities</b>		<b>(17,622,916)</b>	<b>(24,105,446)</b>
<b>Investing activities</b>			
Additions to tangible and intangible assets	19	(17,550,045)	(5,968,473)
Proceeds from sale of tangible and intangible assets	19	81,991	1,073,481
<b>Cash flow used in investing activities</b>		<b>(17,468,054)</b>	<b>(4,894,992)</b>
<b>Financing activities</b>			
Increase in bank borrowings and other financial liabilities		3,240,125	4,440,015
Dividend paid	9.5	(44,973,227)	(11,040,365)
Interest received, net		4,808,618	1,485,032
<b>Cash flows used in financing activities</b>		<b>(36,924,484)</b>	<b>(5,115,318)</b>
Net decrease in cash and cash equivalents		(43,082,711)	(10,885,661)
<b>Cash and cash equivalent at the beginning of the period</b>	<b>4</b>	<b>55,499,042</b>	<b>15,906,808</b>
<b>Cash and cash equivalent at the end of the period</b>	<b>4</b>	<b>12,416,331</b>	<b>5,021,147</b>

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



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

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### **1 ORGANIZATION AND NATURE OF THE BUSINESS**

İzocam Ticaret ve Sanayi Anonim Sirketi ("İzocam" or the "Company") was established in 1965 and 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 A.Ş. ("Koç Holding"), Semahat S. Arsel, Suna Kıracı, Rahmi M. Koç, Mustafa V.Koç, M. Ömer Koç, Y.Ali Koç, Temel Ticaret ve Yatırım A.Ş. ("Temel Ticaret"), Koç Yapı Malzemeleri Ticaret A.Ş. ("Koç Yapı"), Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş. ("RMK Maden") (referred to "Sellers" herin 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% 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% of the Izocam paid-in capital has been transferred and alienated to İzocam İzolasyon Ticaret A.Ş. 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% 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 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% 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%. By shares collected from 19 February to 31 July 2007, shares of İzocam İzolasyon in İzocam have reached to %94.99.

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 9). The Company is registered at the Capital Market Board of Turkey ("CMB") and its shares are listed in Istanbul Stock Exchange ("ISE") since 15 April 1981. As of 30 June 2007, 38.81% of the shares of Izocam is publicly trade at Istanbul Stock Exchange ("ISE").

The average number of employees of the Company is 444 in which 194 is comprised of white collar employees and 250 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 Yukarıdudullu  
34775 Ümraniye İSTANBUL

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

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

## **2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

### **2.1 Accounting Policies**

#### **2.1.1 Statement of compliance**

İzocam 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 accounting and reporting principles published by CMB, namely "CMB Accounting Standards". The CMB published a comprehensive set of accounting principles in Communiqué No: XI-25 "The Accounting Standards in the Capital Markets". In the aforementioned communiqué, it has been stated that applying the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Accounting Standards Committee ("IASC") is accepted as an alternative to conform with the CMB Accounting Standards.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB in its financial statements for the accounting periods starting from 1 January 2005. These financial statements and the related notes have been presented in accordance with the financial statements and disclosures as formats required by the CMB with its announcement dated 10 December 2004.

#### **2.1.2 Basis of presentation**

As discussed in Note 2.1.1 Statement of compliance, with the resolution taken on 17 March 2005 by CMB, IAS 29 has not been applied to the accompanying financial statements as of 30 June 2007 and 31 December 2006.

The equity items including paid-in capital, share premium, legal reserves and extraordinary reserves are presented at the balance sheet in accordance with the Turkish Commercial Code and the effects of inflation over those equity items as of 31 December 2004 are reflected in inflation adjustments on equity item's account as a separate line under equity

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.

The differences between the accounting principles promulgated by the Capital Market Board of Turkey, accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have influence on the accompanying financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS

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

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

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

### **2.2 Accounting in Hyperinflationary Economies**

As mentioned in Note 2.1 Accounting Policies, the Company has ceased applying inflation accounting starting from 1 January 2005 in accordance with the resolution of CMB.

### **2.3 Comparative Information**

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

Comparative information can be reclassified in order to conform to the current period financial statements in case of necessity and the significant differences are disclosed accordingly.

### **2.4 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.

## **3 SIGNIFICANT ACCOUNTING POLICIES**

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

### **3.1 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. Net sales represent the invoiced value of goods shipped less sales returns. 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 36).

### **3.2 Inventories**

The cost of inventories is determined on the moving monthly average basis. 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 realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12).

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

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.3 Property, plant and equipment**

##### **3.3.1 Tangible assets**

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 19).

##### **3.3.2 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.

If the carrying amount of an asset exceeds the recoverable amount of that asset, the carrying amount of that asset is reduced to the recoverable amount of that asset.

##### **3.3.3 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	25-50 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.

##### **3.3.4 Derecognition**

Gains or losses on disposals of property, plant and equipment are included in the relevant income and expense accounts, and the cost and accumulated depreciation of property, plant and equipment has been written off from the relevant accounts as appropriate.

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

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*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.4 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 20).

##### **3.4.1 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.

#### **3.5 Impairment of Assets**

At each balance sheet date, the Company reviews the carrying amount of the assets except for deferred tax assets (Note 3.21) to determine whether there is an indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss occurs if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount through value in use or sale of that asset. The recoverable amount of an asset is the greater of its value in use and its value less costs to sell. Value in use is the estimated future cash flows until the end of the useful lives of those assets which are discounted to their present value. Impairment losses are recognized in the income statement.

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. An impairment loss with respect to other assets 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 (for tangibles net of depreciation), if no impairment loss had been recognized.

#### **3.6 Accounts Receivable**

Accounts receivable that are originated by the Company by way of providing goods directly to a debtor are carried at amortized cost using the effective interest rate method. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputed interest is significant.

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

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*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.6 Accounts Receivable (Continued)**

The Company establishes an impairment loss for accounts receivable if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the impairment loss is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the impairment is credited to income from other operations.

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.

#### **3.7 Borrowing Costs**

Bank borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, bank borrowings are measured at amortized cost using the effective interest rate method. The difference between the proceeds net of transaction costs and the amortized cost is recognized in the income statement as finance costs over the period of the bank borrowings. Finance costs arising from bank borrowings, except for the capitalized costs are recognized in the income statement as they are incurred (Note 39). Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. If the necessary operations has been completed in order to make the assets ready for use or sale, the capitalization of finance costs is ceased.

#### **3.8 Financial Instruments**

##### **3.8.1 Classification**

The Company's financial assets comprised of cash and cash equivalents, accounts receivable, due from related parties and other receivables. Bank borrowings, accounts payable and due to related parties are classified as financial liabilities.

The Company management classified the financial instruments with fixed or fixed or determinable payments and fixed maturity that the Company has the intent and ability to hold to maturity as held-to-maturity financial assets. The financial instruments with short-term profit making in order to fund the liquidity requirements or take into consideration of changes in interest rates are classified as financial instruments at fair value through profit or loss. Financial instruments that are not held for trading purposes or held to maturity are classified as available-for-sale financial assets. Available-for-sale financial assets are classified as non-current assets if the management has no intention to hold those instruments within twelve months after the reporting date or the management will not use those instruments in order to increase working capital of the Company by ways of sale of those instruments otherwise are classified as current assets. The Company management appropriately classified financial instruments at the acquisition date and regularly reviews the classification of its financial instruments.

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

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*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.8 Financial Instruments (Continued)**

##### **3.8.2 Recognition**

Financial assets are recognized at the date of the transfer to the Company and financial liabilities are recognized at the date of transfer from the Company.

##### **3.8.3 Measurement**

Financial assets and liabilities are measured initially at cost. This cost is the fair value of the assets given or liabilities taken. Transaction costs associated with the acquisition or issuance of instruments are included in the initial measurement of financial assets and liabilities.

The gain or losses arising from the changes in the fair value of the available-for-sale financial assets, till the sale of those assets, except for the impairment losses and foreign currency gains/losses recognized in the income statement are accounted for under equity without associating with the financial result of the period. During the sale of those assets, gains and losses previously accounted for under equity is transferred to income statement. The interest computed with amortized cost over those financial assets accounted for on the balance sheet are accounted for in the income statement.

Held-to-maturity financial instruments are measured at amortized cost with the effective interest rate method and financial instruments through at fair value through profit or loss are measured at fair value.

##### **3.8.4 Fair value measurement principles**

The fair values of financial assets and liabilities subsequent to the initial recognition are based on their quoted market prices at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, fair value of an instrument is estimated using the fair value pricing models or the discounted cash flows techniques.

If the discounted cash flow techniques are used to determine the fair value of the financial instruments, expected cash flows depend on the Company management's best estimates while the discount rate used in the discounted cash flows depends on the current market rates of the similar instruments with the same payments terms and conditions in the market as of the balance sheet date. In the pricing model techniques, the market information current at the balance sheet date are used as a measurement criteria.

##### **3.8.5 Derecognition**

A financial asset is derecognised when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognised when it is extinguished.

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

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.8 Financial Instruments (Continued)**

##### **3.8.6 Financial risk management**

The Company emphasizes to manage the various financial risks including the changes in debt and equity prices, foreign currency exchange rates and interest rates. By risk management program, the Company aims to minimize the potential negative effects of the fluctuations in the market.

##### *(i) Interest rate risk*

The Company is subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. The Company manages this risk by means of balancing the interest-earning assets and interest-bearing liabilities as natural precautions. The Company places those interest earning assets at short-term investments.

##### *(ii) Funding risk*

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

##### *(iii) Credit risk*

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. The Company manages those risks by restricting the average exposure to a counter party (except for related parties) in each agreement and by obtaining collaterals where deemed as necessary. The Company operates most of its business through the agencies in the domestic market. The Company collects letter of guarantees, mortgages and notes collected before the sales from the agencies in order to minimize the risk. The Company reviews on an ongoing basis those collaterals with the orders of the agencies that exceeds those collaterals. The provisions set for the bad debt receivables seems within the limits when taking into consideration of the past experiences of the collection of trade receivables. Therefore, the Company, except for the provision set for the bad and doubtful receivables, the Company does not foresee additional risks for the outstanding receivables of the Company.

##### *(iv) Currency risk*

The Company is exposed to currency risk through the translation of assets and liabilities in foreign currencies to YTL. Currency risk is reviewed on an ongoing basis by analyzing the currency position of the Company.

The Company's net assets have the exposure of currency risk because of the export sales. The Company follows up a balancing policy in order to mitigate the currency risk (Note 29).



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

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*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.8 Financial Instruments (Continued)**

##### *(v) Liquidity risk*

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

#### **3.9 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.

#### **3.10 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 42).

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.

#### **3.11 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 of the balance sheet date, if the evidence with respect to the such events or such events have occurred after the balance sheet date and such events require to restate the financial statements, accordingly the Company restates the financial statements appropriately. If such events do not require to restate the financial statements, such events have been disclosed in the related notes.

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

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.12 Provisions, Commitments and Contingencies**

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 31).

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 (Note 31).

#### **3.13 Changes in Accounting Policies, Estimates and Errors**

The Company applies the accounting policies consistently to the transactions with the same nature, other events and situations. Material changes in accounting policies or material errors (if any) are corrected, retrospectively; restating the prior period financial statements. 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.

#### **3.14 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.

Lease liabilities are reduced through repayments of principal, while the finance charge component of the lease payment is charged directly to profit or loss. The leased assets are amortized through the useful life of the relevant asset.

If the lease period is less than the useful life of the asset and the transfer of the ownership is not probable for that asset, the leased asset is amortized through the lease term. If the useful life of that asset is less than the lease term, the asset is amortized through the useful life of that asset.

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

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.14 Leases (Continued)**

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.

#### **3.15 Related Parties**

For the purpose of these financial statements and the notes, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies are considered and referred to as related parties (Note 9). Transactions with related parties are priced predominantly on an arms-length basis.

#### **3.16 Segment Reporting**

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

#### **3.17 Construction Contracts**

None

#### **3.18 Discontinued Operations**

None

#### **3.19 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 a cash or deduction of liabilities to the government.

#### **3.20 Investment Property**

None.

#### **3.21 Income Taxes**

Income tax expense comprises current and deferred tax.

Current tax includes the tax payable on the taxable income for the period, using tax rates enacted at the reporting date (Note 41).

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

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.21 Income Taxes (Continued)**

Deferred tax liabilities and assets are recognized using the balance sheet liability 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 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 14)

#### **3.22 Employee Benefits**

According to the enacted laws, the Company is laible 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 labor laws. Such payments are computed according to the severance indemnity ceiling valid as of 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.

#### **3.23 Defined Benefit Plans**

None.

#### **3.24 Agricultural Operations**

None.

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

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3.25 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 grossprofit/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 represents the funds used in and repayment of the funds during the period.

For purposes of the statements 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.

#### **3.26 Expenses**

Expenses are accounted for accrual basis. Cost of sales and operating expenses are recognized as they incur.

#### **3.27 Cash and Cash Equivalents**

The cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks 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.

#### **3.28 Accounts Payable**

Accounts payable is carried at cost less the credit purchases. Accounts payable netted with deferred finance costs, are initially recognized at the original invoice amount. Accounts payable is carried at amortized cost which is discounted by the effective interest rate.

#### **3.29 Paid-in Capital and Dividends**

Ordinary shares are classified as paid-in capital (Note 25). Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends payable are recognised as an appropriation of retained earnings in the period in which they are declared. Dividends receivables are recognized as income in the period in which they are declared.

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

### 4 CASH AND CASH EQUIVALENTS

As of 30 June 2007 and 31 December 2006, cash and cash equivalents comprised of the following:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Banks		
Time deposits	9,742,002	54,785,845
Demand deposit	2,405,931	965,707
Cheques in collection	279,257	--
Other cash and cash equivalents	1,143	786
	<u>12,428,333</u>	<u>55,752,338</u>

As of 30 June 2007 and 31 December 2006, demand deposits comprised of the following currencies:

	<u>30 June 2007</u>	<u>31 December 2006</u>
YTL	788,437	564,544
American Dollar ("USD")	1,406,066	235,424
Euro	211,428	165,739
	<u>2,405,931</u>	<u>965,707</u>

As of 30 June 2007 and 31 December 2006, time deposits comprised of the following currencies:

	<u>30 June 2007</u>	<u>31 December 2006</u>
YTL	9,742,002	46,717,835
American Dollar ("USD")	-	4,363,184
Euro	-	3,704,826
	<u>9,742,002</u>	<u>54,785,845</u>

As of 30 June 2007, all time deposits were in YTL with weighted average interest rate of 17.8% (31 December 2006: time deposits were in YTL, USD and Euro with weighted average interest rate of 21%, 5%, and 3%, respectively). As of 30 June 2007 and 31 December 2006, time deposits were short-term, maturing less than one month.

For purposes of the statements of cash flows, cash and cash equivalents include cash in hand, 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 periods ended 30 June are as follows:

	<u>30 June 2007</u>	<u>30 June 2006</u>
Banks		
Time deposits	9,742,002	3,385,599
Demand deposit	2,405,931	1,322,618
Cheques in collection	279,257	313,920
Other cash and cash equivalents	1,143	609
Less: Interest accruals	(12,002)	(1,599)
	<u>12,416,331</u>	<u>5,021,147</u>

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

### 5 MARKETABLE SECURITIES

None (31 December 2006: None).

### 6 BANK BORROWINGS

As of 30 June 2007 and 31 December 2006, the details of bank borrowings are as follows:

	Interest rate %		Orginal currency		YTL	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006	30 June 2007	31 December 2006
<b>Short-term bank borrowings</b>						
Short-term portion of long term borrowings-Euro	Euribor+1.25	--	1,849,401	--	3,252,172	--
<b>Total short-term bank borrowings</b>			<b>1,849,401</b>	<b>--</b>	<b>3,252,172</b>	<b>--</b>
<b>Long-term bank borrowings</b>						
Long-term bank borrowings-Euro	Euribor+1.25	4.98 -5.05	8,194,550	8,278,744	14,410,115	15,330,095
<b>Total long-term bank borrowings</b>			<b>8,194,550</b>	<b>8,278,744</b>	<b>14,410,115</b>	<b>15,330,095</b>

As of 30 June 2007, the redemption schedule of long-term borrowings is as follows:

	30 June 2007	
	Orginal currency	YTL
	Euro	YTL
1 July 2008 30 June 2009	2,993,831	5,264,652
1 July 2009 30 June 2010	2,725,465	4,792,730
1 July 2010 30 June 2011	2,475,254	4,352,733
	<b>8,194,550</b>	<b>14,410,115</b>

### 7 ACCOUNTS RECEIVABLE AND PAYABLE

#### 7.1 Short-Term Accounts Receivables (net)

	30 June 2007	31 December 2006
Trade receivable	44,377,230	26,496,177
Note receivable	10,129,650	18,562,500
Cheques receivable	7,650,639	7,545,409
Bad and doubtful receivables	745,951	783,384
Less: Allowance for bad and doubtful receivables	(745,951)	(756,451)
	<b>62,157,519</b>	<b>52,631,019</b>

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

### 7 ACCOUNTS RECEIVABLE AND PAYABLE (CONTINUED)

Movements in the allowance for bad and doubtful receivables during the six-month period ended 30 June 2007 and for the year ended 31 December 2006 was as follows:

	30 June 2007	31 December 2006
Balance at the beginning	756,451	1,938,523
Provision for the period/year	--	216,702
Write-offs	(10,500)	(1,398,774)
	<b>745,951</b>	<b>756,451</b>

### 7.2 Long-Term Accounts Receivable (net)

	30 June 2007	31 December 2006
Deposits and guarantees given	2,804	2,804
	<b>2,804</b>	<b>2,804</b>

### 7.3 Short-Term Accounts Payable (net)

	30 June 2007	31 December 2006
Trade payable	13,459,213	18,770,252
Deposits and guarantees received	10,081	17,270
Other	2,365	--
	<b>13,471,659</b>	<b>18,787,522</b>

### 7.4 Long-Term Accounts Payable

None (31 December 2006: None).

## 8 FINANCE LEASE RECIVABLE AND PAYABLE

None (31 December 2006: None).

## 9 RELATED PARTIES

### 9.1 Due from Related Parties Short-Term

As of 30 June 2007 and 31 December 2006, due from related parties comprised the following:

	30 June 2007	31 December 2006
Saint-Gobain Isover Romania SRL ("Isover") (*)	253,548	145,939
JSC Saint Gobain Konstruktion Pr ("JSC") (*)	27,644	--
Üçsel İnşaat ve Malzeme Müh. Mak. Tic. Ltd. Şti.	--	370,412
	<b>281,192</b>	<b>516,351</b>

(\*) As of 29 November 2006, after the finalization of share purchase agreement, Isover and JSC have been included in related party balances.

### 9.2 Due to Related Parties Short-Term

As of 30 June 2007 and 31 December 2006, due TO related parties comprised the following:

	30 June 2007	31 December 2006
Saint-Gobain Weber Markem Yapı Kimyasalları Ticaret A.Ş. ("Weber Markem") **	330,028	256,754
Grunzweig Hartman AG ("Grunzweig") **	281,618	--
Isover	208,227	104,339
Other	44,938	19,878
	<b>864,811</b>	<b>380,971</b>

As of 29 November 2006, after the finalization of share purchase agreement, Weber Markem and Grunzweig have been included in related party balances.



## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

### 9 RELATED PARTIES (CONTINUED)

#### 9.3 Sales to Related Parties

For the six-month and three-month periods ended 30 June 2007 and 2006 sales to related parties comprised the following:

	30 June 2007		30 June 2006	
	Six-month period	Three-month period	Six-month period	Three-month period
Isover	820,106	253,548	-	-
JSC	27,644	-	-	-
Arçelik A.Ş. (a)	-	-	7,350,129	3,647,020
Beko Elektronik A.Ş. (a)	-	-	4,539,496	2,304,609
Koçtaş Yapı Marketleri A.Ş. (a)	-	-	161,097	89,403
Ark İnşaat Sanayi ve Ticaret A.Ş. (a)	-	-	1,059,114	1,059,114
Other	-	-	239,135	206,156
	<b>847,750</b>	<b>253,548</b>	<b>13,348,971</b>	<b>7,306,302</b>

(a) Above disclosed sales to Koç Group Companies are not represented comparatively for the six-month period ended and three-month period ended 30 June 2007. After the finalisation of share purchase agreement as of 29 November 2006, Koç Group Companies are excluded from the scope of the related party.

#### 9.4 Purchases from Related Parties

For the six-month and three-month periods ended 30 June 2007 and 2006 product and service purchases from related parties comprised the following:

	30 June 2007		30 June 2006	
	Six-month period	Three-month period	Six-month period	Three-month period
Weber Markem*	703,102	487,134	--	--
Saint Gobain Isover France	614,034	234,548	--	--
Grunzweig	313,404	313,404	--	--
Koç Statoil Gaz Toptan Satış A.Ş. (a)	--	--	2,308,641	1,156,839
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş. (a)	--	--	1,848,317	937,240
Ram Sigora ve Aracılık Hizmetleri A.Ş. (a)	--	--	772,468	127,722
Akpa Dayanıklı Tüketim LPG Akaryakıt Ürünleri Pazarlama A.Ş. (a)	--	--	912,321	320,396
Setur Servis Turistik A.Ş. (a)	--	--	407,502	94,712
Koç Holding (a)	--	--	480,000	240,000
Beko Ticaret A.Ş. (a)	--	--	477,215	252,446
Palmira Turizm Ticaret A.Ş. (a)	--	--	386,408	204,619
Aygaz A.Ş. (a)	--	--	101,715	101,715
Opet Petrolcülük A.Ş. (a)	--	--	132,788	132,788
Other	--	--	1,097,631	671,619
	<b>1,630,540</b>	<b>1,035,086</b>	<b>8,925,006</b>	<b>4,240,096</b>

(a) Above disclosed purchases from Koç Group Companies are not represented comparatively for the six-month period ended and three-month period ended 30 June 2007. After the finalisation of share purchase agreement as of 29 November 2006, Koç Group Companies are excluded from the scope of the related party.

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

### 9 RELATED PARTIES (CONTINUED)

#### 9.5 Other Transactions with Related Parties

For the six-month and three-month periods ended 30 June 2007 and 2006 other transactions with related parties comprised the following:

	30 June 2007		30 June 2006	
	Six-month period	Three-month period	Six-month period	Three-month period
<b>Interest income/(expense) net</b>				
Yapı ve Kredi Bankası A.Ş. (b)	--	--	198,102	17,280
Koçbank A.Ş. (b)	--	--	202,734	115,485
	--	--	<b>400,836</b>	<b>132,765</b>
<b>Dividends paid</b>				
İzocam İzolasyon	27,519,394	--	--	--
Merkezi Kayıt Kuruluşu ("MKK")	17,434,230	--	--	--
Koç Holding (b)	--	--	1,924,193	1,924,193
Temel Ticaret (b)	--	--	3,347,828	3,347,828
Diğer	19,603	16,694	548,803	548,803
	<b>44,973,227</b>	<b>16,694</b>	<b>5,820,824</b>	<b>5,820,824</b>
<b>Donations</b>				
Rahmi Koç Müzesi (b)	--	--	20,127	--
	--	--	<b>20,127</b>	--

(b) Above disclosed transactions made with Koç Group Companies are not represented comparatively for the six-month period ended and three-month period ended 30 June 2007. After the finalisation of share purchase agreement as of 29 November 2006, Koç Group Companies are excluded from the scope of the related party.

#### 9.6 Remuneration for Top Management

Remuneration paid to top management by the Company for the six-month and three-month periods ended at 30 June 2007 are YTL 436,077 and YTL 214,052, respectively. (For the six-month and three-month periods ended at 30 June 2006 are YTL 392,196 and YTL 266,484, respectively.)

### 10 OTHER RECEIVABLES AND FINANCIAL LIABILITIES

#### 10.1 Other Short-Term Receivables (net)

As of 30 June 2007 and 31 December 2006, other short-term receivables comprised the following:

	30 June 2007	31 December 2006
Job advances	27,866	13,011
Receivables from employees	8,060	--
Other	12,700	183
	<b>48,626</b>	<b>13,194</b>

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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### 10 OTHER RECEIVABLES AND FINANCIAL LIABILITIES (CONTINUED)

#### 10.2 Other Financial Liabilities Short-Term

As of 30 June 2007 and 31 December 2006, other short-term financial liabilities comprised the following:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Social security premium payables	790,915	682,359
Withholding taxes and duties payables	303,664	633,580
Value added taxes ("VAT") payables	--	--
Other	10,544	17,625
	<u>1,105,123</u>	<u>1,333,564</u>

### 11 BIOLOGICAL ASSETS

None (31 December 2006: None).

### 12 INVENTORIES

As of 30 June 2007 and 31 December 2006 inventories comprised the following:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Raw materials and supplies	11,495,515	15,664,301
Finished goods	6,948,588	5,802,739
Merchandise	1,155,590	1,198,179
Advances given	1,374,070	405,037
	<u>20,973,763</u>	<u>23,070,256</u>

### 13 DUE FROM CUSTOMERS FOR CONTRACT WORK/DUE TO CUSTOMERS FOR CONTRACT WORK

None (31 December 2006: None).

### 14 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax liabilities and assets are provided, using the balance sheet liability 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.

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 liability method using a principal tax rate of 20% (31 December 2006: 20%).

**İzocam Ticaret ve Sanayi Anonim Şirketi**

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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**14 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**

Deferred tax assets and deferred tax liabilities as of 30 June 2007 and 31 December 2006 were attributable to the items detailed in the table below:

	30 June 2007		31 December 2006	
	Deferred tax		Deferred tax	
	assets	liabilities	assets	liabilities
Employee severance indemnity	612,088	--	648,499	--
Vacation pay liability	146,789	--	88,290	--
Deferred interest income	124,600	--	13,497	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(3,208,853)	--	(3,242,483)
Reversal of discount changes in accordance with tax regulations	--	(193,680)	--	--
Other	594	--	--	--
	884,071	(3,402,533)	750,286	(3,242,483)
Offsetting	(884,071)	884,071	(750,286)	750,286
		<b>(2,518,462)</b>		<b>(2,492,197)</b>

The movement of deferred tax liabilities is as follows:

	1 January 2006	Recognized in Profit/(loss)	31 December 2006	Recognized in Profit/(loss)	30 June 2007
Employee severance indemnity	1,082,271	(433,772)	648,499	(36,411)	612,088
Vacation pay liability	196,186	(107,896)	88,290	58,499	146,789
Deferred interest income	30,234	(16,737)	13,497	111,103	124,600
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(5,377,409)	2,134,926	(3,242,483)	33,630	(3,208,853)
Reversal of discount changes in accordance with tax regulations	--	--	--	(193,680)	(193,680)
Other	--	--	--	594	594
	<b>(4,068,718)</b>	<b>1,576,521</b>	<b>(2,492,197)</b>	<b>(26,265)</b>	<b>(2,518,462)</b>

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

### 15 OTHER CURRENT/NON-CURRENT ASSETS AND SHORT/LONG-TERM LIABILITIES

#### 15.1 Other Current Assets

As of 30 June 2007 and 31 December 2006 other current assets comprised the following:

	<u>30 June 2007</u>	<u>31 December 2006</u>
VAT receivables	1,357,101	2,357,013
Prepaid expenses	574,903	36,833
VAT for export receivables	113,815	109,635
Taxes and funds to be offset	23,370	157,176
Other	4,164	5,989
Prepaid taxes (Note 41)	--	7,215,189
	<u>2,073,353</u>	<u>9,881,835</u>

#### 15.2 Other Non-Current Assets

None (31 December 2006: None).

#### 15.3 Other Short-Term Liabilities

	<u>30 June 2007</u>	<u>31 December 2006</u>
Payable to employees	10,135	457,045
	<u>10,135</u>	<u>457,045</u>

#### 15.4 Other Long-Term Liabilities

None (31 December 2006: None).

### 16 INVESTMENTS

None (31 December 2006: None).

### 17 GOODWILL/BADWILL

None (31 December 2006: None).

### 18 INVESTMENT PROPERTY

None (31 December 2006: None).

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

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### PROPERTY, PLANT AND EQUIPMENT

For the six-month period ended 30 June 2007, movement in the property, plant and equipment is as follows:

	<u>1 January</u>				<u>30 June 2007</u>
Cost	<u>2007</u>	<u>Additions</u>	<u>Transfer (*)</u>	<u>Disposal</u>	
Land	715,231	--	--	--	715,231
Land improvements	3,615,396	--	908,702	(70,696)	4,453,402
Buildings	28,845,966	--	2,163,189	(124,988)	30,884,167
Machinery and equipment	135,115,998	119,938	39,123,578	(7,920,524)	166,438,990
Vehicles	72,932	--	481	(66,374)	7,039
Furniture and fixtures	8,577,798	102,307	(418,786)	(48,377)	8,212,942
Leasehold improvements	58,176	--	--	(15,895)	42,281
Construction in progress	17,738,186	7,351,118	(25,010,500)	--	78,804
Advances given	8,679,726	9,976,682	(18,543,637)	--	112,771
	<b>203,419,409</b>	<b>17,550,045</b>	<b>(1,776,973)</b>	<b>(8,246,854)</b>	<b>210,945,627</b>
Less: Accumulated depreciation	<u>1 January</u>	<u>Current period</u>			<u>30 June 2007</u>
	<u>2007</u>	<u>depreciation</u>	<u>Transfer (*)</u>	<u>Disposal</u>	
Land improvements	(2,101,419)	(77,647)	(722)	26,056	(2,153,732)
Buildings	(15,613,047)	(526,285)	(784)	52,432	(16,087,684)
Machinery and equipment	(108,209,901)	(4,138,334)	1,341,404	4,967,509	(106,039,322)
Vehicles	(72,931)	(--)	(481)	66,374	(7,038)
Furniture and fixtures	(7,917,885)	(113,992)	437,556	37,720	(7,556,601)
Leasehold improvements	(44,800)	(2,364)	--	29,864	(17,300)
<b>Total accumulated depreciation</b>	<b>(133,959,983)</b>	<b>(4,858,622)</b>	<b>1,776,973</b>	<b>5,179,955</b>	<b>(131,861,677)</b>
<b>Net carrying value</b>	<b>69,459,426</b>				<b>79,083,950</b>

For the year ended 31 December 2006, movement in the property, plant and equipment is as follows:

	<u>1 January</u>				<u>31 December</u>
Maliyet	<u>2006</u>	<u>Additions</u>	<u>Transfer</u>	<u>Disposal</u>	<u>2006</u>
Land	715,231	--	--	--	715,231
Land improvements	3,626,204	5,600	75,170	(91,578)	3,615,396
Buildings	30,092,641	23,000	28,229	(1,297,904)	28,845,966
Machinery and equipment	142,694,785	202,123	546,448	(8,327,358)	135,115,998
Vehicles	655,579	111,440	--	(694,087)	72,932
Furniture and fixtures	8,851,022	128,236	12,297	(355,581)	8,635,974
Construction in progress	207,222	7,710,961	9,820,003	--	17,738,186
Advances given	65,986	19,095,887	(10,482,147)	--	8,679,726
	<b>186,908,670</b>	<b>27,277,247</b>	<b>--</b>	<b>(10,766,508)</b>	<b>203,419,409</b>
Less: Accumulated depreciation	<u>1 January</u>	<u>Current period</u>			<u>31 December</u>
	<u>2006</u>	<u>depreciation</u>	<u>Transfer</u>	<u>Disposal</u>	<u>2006</u>
Land improvements	(1,979,897)	(150,037)	--	28,515	(2,101,419)
Buildings	(14,953,682)	(1,078,266)	--	418,901	(15,613,047)
Machinery and equipment	(107,526,653)	(6,890,421)	--	6,207,173	(108,209,901)
Vehicles	(539,922)	(62,176)	--	529,167	(72,931)
Furniture and fixtures	(7,901,410)	(327,103)	--	265,828	(7,962,685)
<b>Total accumulated depreciation</b>	<b>(132,901,564)</b>	<b>(8,508,003)</b>	<b>--</b>	<b>7,449,584</b>	<b>(133,959,983)</b>
<b>Net carrying value</b>					<b>69,456,426</b>

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

## İzocam Ticaret ve Sanayi Anonim Şirketi

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

For the six-month period ended 30 June 2007 depreciation expenses amounting to YTL 4,579,198 (30 June 2006: YTL 4,176,953) has been included under cost of sales, YTL 279,424 (30 June 2006: YTL 201,093) has been included under general administrative expenses.

Total insurance coverage over property, plant and equipment is YTL 199,290,971.

### 20 INTANGIBLE ASSETS

For the six-month period ended 30 June 2007, movement in the intangible assets is as follows:

	<u>1 January</u>				<u>30 June 2007</u>
Cost	<u>2007</u>	<u>Additions</u>	<u>Transfer (*)</u>	<u>Disposal</u>	
Rights	916,630	--	(230,055)	--	686,575
	<b>916,630</b>	<b>--</b>	<b>(230,055)</b>	<b>--</b>	<b>686,575</b>
		<u>Current</u>			
	<u>1 January</u>	<u>period</u>	<u>Transfer (*)</u>	<u>Disposal</u>	<u>30 June 2007</u>
Less: Accumulated amortization	<u>2007</u>	<u>amortization</u>			
Rights	(796,924)	(34,133)	230,055	--	(601,002)
Total accumulated amortization	<b>(796,924)</b>	<b>(34,133)</b>	<b>230,055</b>	<b>--</b>	<b>(601,002)</b>
Net carrying value	<b>119,706</b>				<b>85,573</b>

For the year ended 31 December 2006, movement in then intangible assets is as follows:

	<u>1 January</u>				<u>31 December</u>
Cost	<u>2006</u>	<u>Additions</u>	<u>Transfer</u>	<u>Disposal</u>	<u>2006</u>
Rights	885,414	31,216	--	--	916,630
	<b>885,414</b>	<b>31,216</b>	<b>--</b>	<b>--</b>	<b>916,630</b>
		<u>Current</u>			
	<u>1 January</u>	<u>period</u>	<u>Transfer</u>	<u>Disposal</u>	<u>31 December</u>
Less: Accumulated amortization	<u>2006</u>	<u>amortization</u>			<u>2006</u>
Rights	(673,311)	(123,613)	--	--	(796,924)
Total accumulated amortization	<b>(673,311)</b>	<b>(123,613)</b>	<b>--</b>	<b>--</b>	<b>(796,924)</b>
Net carrying value	<b>212,103</b>				<b>119,706</b>

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

For the six-month period ended 30 June 2007 amortization expenses amounting to YTL 34,133 (30 June 2006: YTL 3,128) has been included under general administrative expenses.

### 21 ADVANCES RECEIVED

None (31 December 2006: None).

### 22 DEFINED BENEFIT PLAN

Except for the provision for employee severance indemnity explained in Note 23, there is defined benefit plan.

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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### 23 EXPENSE ACCRUALS

#### 23.1 Short-Term Expense Accruals

As of 30 June 2007 and 31 December 2006 short-term expense accruals comprised the following:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Corporate taxes provision (Note 41)	5,087,872	9,607,600
Preaid taxes	(2,741,807)	--
Other expense accruals	1,887,794	283,113
	<u>4,233,859</u>	<u>9,890,713</u>

#### 23.2 Long-Term Expense Accruals

As of 30 June 2007 and 31 December 2006 long-term expense accruals comprised the following:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Provision for employee severance indemnity	3,060,441	3,242,495
Vacation pay liability	733,944	441,449
	<u>3,794,385</u>	<u>3,683,944</u>

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 1.960,69 for each year of service as of 30 June 2007 (31 December 2006: YTL 1,960.69).

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 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:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Discount rate	% 5.71	% 5.71
Turnover rate to estimate the probability of retirement	% 10	% 2



## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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### 23 EXPENSE ACCRUALS (CONTINUED)

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. Since the Company calculates reserve for employment termination benefits in every six months the maximum amount of YTL 1,960.69 which is effective from 1 January 2007 (2006: YTL 1,857.44) has been taken into consideration in calculations.

The movement of employee severance indemnity is as follows:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Balance at the beginning of the period	3,242,495	3,607,571
Increase/(decrease) during the period/year	(77,423)	1,292,205
Payments	(104,631)	(1,657,281)
Balance at the end of the period	<b>3,060,441</b>	<b>3,242,495</b>

### 24 MINORITY INTEREST

Since the Company does not prepare consolidated financial statements, there is no minority interest.

### 25 PAID-IN CAPITAL/TREASURY STOCK

As of 30 June 2007, the paid-in capital of the Company comprises 2,453,414,335 shares issued (31 December 2006: 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:

	<u>30 June 2007</u>		<u>31 December 2006</u>	
	<u>Shares</u>	<u>Ownership rate%</u>	<u>Shares</u>	<u>Ownership rate%</u>
İzocam İzolasyon	21,376,164	87.13	13,140,205	53.56
Koç Yapı (*)	647,899	2.64	647,899	2.64
Temel Ticaret (*)	1,225,200	4.99	1,225,200	4.99
Other	1,284,880	5.24	9,520,839	38.81
	24,534,143	100.00	24,534,143	100.00
Adjustment to share capital	25,856,460		25,856,460	
	<b>50,390,603</b>		<b>50,390,603</b>	

According to the Share Purchase Agreement, 1.314.020.534 shares representing 53.5588% of the Company's paid-in capital has been transferred and alienated to İzocam İzolasyon Ticaret A.Ş. 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% of İzocam paid-in capital belonging to Koç Yapı ve Temel Ticaret. These shares have been transferred to İzocam İzolasyon on 10 July 2007.

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

## 26 CAPITAL RESERVES

### 26.1 Inflation Adjustments on Equity Items

As discussed in Note 2, the Company started to prepare its financial statements from the first quarter of 2006 in accordance with the alternative application of CMB and ceased applying IAS 29 in conformity with the decision taken by CMB on 17 March 2005

In accordance with Communiqués No: XI-25, during the first time application of inflation accounting, "Paid-in Capital, Share Premiums, Legal Reserves, Status Reserves, Special Reserves and Extraordinary Reserves" of equity items has to be presented with their historic values. Inflation effects on those equity items are presented as "inflation adjustment on equity items" under equity.

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

	Historic cost	Inflation adjustment on equity items	Restated values
<b>30 June 2007</b>			
Paid-in capital	24,534,143	25,856,460	50,390,603
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
	<b>65,655,933</b>	<b>48,224,949</b>	<b>113,880,882</b>
<b>31 December 2006</b>			
Paid-in capital	24,534,143	25,856,460	50,390,603
Share premiums	1,092	223,408	224,500
Legal reserves	6,404,304	18,710,928	25,115,232
Extraordinary reserves	18,729,645	(1,496,872)	17,232,773
Special reserves	46	4,931,025	4,931,071
	<b>49,669,230</b>	<b>48,224,949</b>	<b>97,894,179</b>

As of 30 June 2007 and 31 December 2006, historical values of extraordinary reserves of the Company in accordance with Tax Laws are YTL 12,551,832 YTL and YTL 24,564,515, respectively.

### 26.2 Share Premiums

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.

## 27 PROFIT RESERVES

According to the Turkish Commercial Code, legal reserves comprised of first and legal reserves. The first legal reserves are generated by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital.

If the dividend distribution is made in accordance with CMB Communiqués 25, a further 1/10 of dividend distributions, in excess of 5% 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% of paid-in capital is to be appropriated to increase second legal reserves.

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

27

### PROFIT RESERVES (CONTINUED)

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% of paid-in capital. As of 30 June 2007, legal reserves in the financial statements amounted to YTL 12,329,123 (31 December 2006: YTL 6,404,304).

According to the 7/242 numbered decision taken on 25 February 2005 by CMB, the dividend distribution for the quoted companies are amended as follows.

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.

In accordance with the Communiqué No: XI-25 Section 15 paragraph 399, the accumulated deficit amounts arising from the first application of inflation adjustment, in line with CMB's profit distribution regulations, are considered to be deductive when computing the distributable profit. The accumulated deficit will first be netted-off from net income and retained earnings, and the remaining amount of deficit from extraordinary reserves, legal reserves and adjustment to share capital, respectively.

Effective from 31 December 2004, the net income computed must be distributed in the ratio of a minimum of 30% of total distributable profit. This distribution, regarding decisions taken by the general assemblies, may be made either as cash, as pro-rata shares or as a combination of both 30% (2006:30%) of distributable profit.

Inflation adjustments on equity items can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' losses, used in distribution of bonus shares and distributions of dividends to shareholders.

In the ordinary general assembly held on 26 March 2007, it has been decided that, YTL 1,547,490 would be transferred to first legal reserves, YTL 4,377,329 would be transferred to second legal reserves from the profit for the year ended 31 December 2006 which amounts to YTL 60,986,703. Remaining YTL 22,074,567 would be transferred to extraordinary reserves. Remaining balances of YTL 32,987,317 and by transferring YTL 12,012,683 from extraordinary reserves, cash dividend amounting to YTL 45,000,000 would be distributed to shareholders from nominal amounts of previous years' extraordinary reserves. As of 30 June 2007, YTL 44,973,227 of YTL 45,000,000 dividend has been paid and the remaining portion amounting to YTL 26,773 has been credited to due to related parties.

In accordance with the Communiqué No: XI-25, at 31 December 2006, the shareholders' equity schedule, based on which the dividend would be distributed, are as follows:

	<b>31 December 2006</b>
Paid-in capital	24,534,143
Share premiums	1,092
Legal reserves	6,404,304
Extraordinary reserves	18,729,645
Special reserves	46
Inflation adjustment on equity items	48,224,949
Net profit for the period	60,986,703
Retained earnings	209,996
	<b>159,090,878</b>

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

### 28 RETAINED EARNINGS/ACCUMULATED LOSSES

	30 June 2007	31 December 2006
Retained earnings	209,996	209,996
	<b>209,996</b>	<b>209,996</b>

### 29 NET FOREIGN CURRENCY POSITION

Foreign currency risk represents the risk that the value of the financial instrument changes according to the changes in the foreign currency exchange rates. American Dollar ("USD"), Euro and UK Sterling ("GBP") are the foreign currencies that can generate foreign currency risk. As of 30 June 2007 and 31 December 2006, the Company net foreign currency position comprised the following foreign currency based assets and liabilities:

	30 June 2007			
Assets	USD	Euro	Other	Total
Cash and cash equivalents	1,406,066	211,428	--	1,617,494
Accounts receivable	8,548,016	3,083,901	11,548	11,643,465
	<b>9,954,082</b>	<b>3,295,329</b>	<b>11,548</b>	<b>13,260,959</b>
<b>Liabilities</b>				
Accounts payable	(508,512)	(613,095)	--	(1,121,607)
Bank borrowings-short-term	--	(3,252,172)	--	(3,252,172)
Bank borrowings-long-term	--	(14,410,115)	--	(14,410,115)
	<b>(508,512)</b>	<b>(18,275,382)</b>	<b>--</b>	<b>(18,783,894)</b>
	<b>9,445,570</b>	<b>(14,980,053)</b>	<b>11,548</b>	<b>(5,522,935)</b>
	31 December 2006			
Assets	USD	Euro	GBP	Total
Cash and cash equivalents	4,598,608	3,870,565	--	8,469,173
Accounts receivable	9,339,000	3,142,943	--	12,481,943
	<b>13,937,608</b>	<b>7,013,508</b>	<b>--</b>	<b>20,951,116</b>
<b>Liabilities</b>				
Accounts payable	(582,441)	(297,028)	--	(879,469)
Bank borrowings-long-term	--	(15,330,095)	--	(15,330,095)
	<b>(582,441)</b>	<b>(15,627,123)</b>	<b>--</b>	<b>(16,209,564)</b>
	<b>13,355,167</b>	<b>(8,613,615)</b>	<b>--</b>	<b>4,741,552</b>

A 1% increase in the foreign currencies generates a foreign currency loss of YTL 55 thousand (31 December 2006: YTL 47 thousand) in the net foreign currency position of the Company.

### 30 GOVERNMENT GRANTS

As of 30 June 2007, the Company has no investment incentives (31 December 2006: None).

### 31 PROVISIONS, COMMITMENTS AND CONTINGENCIES

At 30 June 2007, the Company has letter of guarantee in the amount of YTL 3,564,499 (31 December 2006: YTL 3,108,181), and collaterals from banks in the amount of YTL 469,684 (31 December 2006: YTL 478,718), given to customs offices and domestic/foreign vendors.

As of 30 June 2007, the Company has purchase commitments amounting to YTL 485,495 (Euro 276,085) to various suppliers for the renovation of Gebze and Tarsus facilities and the capital expenditures for Eskişehir facility to be completed during 2007.

According to the loan agreement between the Company and ABN Ambro, the ratio of the Company's financial debts to income before taxation and financial expense should be below 1.0 and the ratio of financial debts to stockholders' equity should be below 0.50 at the end of the each fiscal year.

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

### 32 BUSINESS COMBINATIONS

None (31 December 2006: None).

### 33 SEGMENT REPORTING

None (31 December 2006: None).

### 34 SUBSEQUENT EVENTS

According to the usufruct agreement signed on 29 November 2006, usufruct right has been set for the 187.309.862 shares representing 7.6347% of the Company's paid-in capital belonging to Koç Yapı ve Temel Ticaret. These shares have been transferred to İzocam İzloasyon on 10 July 2007.

### 35 DISCONTINUED OPERATIONS

None.

### 36 OPERATING INCOME

For the six-month and three-month periods ended 30 June 2007 and 2006 operating income comprised the following:

	30 June 2007		30 June 2006	
	Six-month period	Three-month period	Six-month period	Three-month period
Domestic sales	102,526,457	58,660,400	84,817,790	49,862,392
Export sales	22,730,472	11,991,647	22,151,866	12,854,145
Other	28,455	17,073	1,989,712	1,696,629
Gross sales	125,285,384	70,669,120	108,959,368	64,413,166
Less: Discounts and sales returns	(6,867,563)	(3,811,121)	(5,374,266)	(3,737,635)
Net sales	118,417,821	66,857,999	103,585,102	60,675,531
Less: Cost of sales	(76,862,490)	(44,227,820)	(68,887,142)	(40,669,708)
<b>Gross profit</b>	<b>41,555,331</b>	<b>22,630,179</b>	<b>34,697,960</b>	<b>20,005,823</b>

### 37 OPERATING EXPENSES

For the six-month and three-month periods ended 30 June 2007 and 2006 operating expenses comprised the following:

	30 June 2007		30 June 2006	
	Six-month period	Three-month period	Six-month period	Three-month period
Selling and marketing expenses	11,477,104	6,256,456	10,264,795	5,293,132
General administrative expenses	4,425,483	2,188,032	5,651,380	2,668,071
	<b>15,902,587</b>	<b>8,444,488</b>	<b>15,916,175</b>	<b>7,961,203</b>

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

### 37 OPERATING EXPENSES (CONTINUED)

#### 37.1 Selling and Marketing Expenses

For the six-month and three-month periods ended 30 June 2007 and 2006 selling and marketing expenses comprised the following:

	30 June 2007		30 June 2006	
	Six-month period	Three-month period	Six-month period	Three-month period
Freight insurance expenses	4,802,998	2,812,417	4,630,253	2,692,702
Personnel expenses	2,251,795	1,118,148	2,171,798	1,075,955
Licence fee	1,147,639	637,428	888,815	493,271
Advertisement expenses	989,610	494,805	707,970	282,794
Sales commissions	519,234	229,000	421,598	238,022
Warehouse expenses	441,885	255,649	399,504	227,613
Agency service expenses	411,714	188,945	197,730	--
Guarantee expenses	296,418	166,235	184,000	100,383
Exhibition and fair expenses	185,100	92,550	170,400	75,045
Other	430,711	261,279	492,727	107,347
	<b>11,477,104</b>	<b>6,256,456</b>	<b>10,264,795</b>	<b>5,293,132</b>

#### 37.2 General Administrative Expenses

For the six-month and three-month periods ended 30 June 2007 and 2006 general administrative expenses comprised the following:

	30 June 2007		30 June 2006	
	Six-month period	Three-month period	Six-month period	Three-month period
Personnel expenses	2,051,156	1,017,865	2,158,871	1,116,460
Depreciation and amortization (Note 19 and 20)	313,557	266,560	204,221	87,795
Transportation expenses	306,802	100,396	416,498	216,357
Vacation pay provision	292,495	169,416	--	--
Travel expenses	256,370	198,248	250,831	128,374
Consultancy expenses	155,333	43,646	72,999	25,525
Repair, maintenance and energy	118,360	56,037	148,509	87,376
Telecommunication expenses	100,705	61,079	131,793	85,053
Rent expenses	90,343	9,880	109,639	16,326
Membership fees	85,000	61,006	56,154	22,805
Representation expenses	55,774	47,547	172,063	76,190
Taxes other than on income	55,745	26,518	86,658	43,894
Service expenses	--	--	480,000	240,000
Insurance expenses	25,797	(3,515)	51,901	3,769
Litigation expenses	25,765	7,589	73,693	40,896
Donations	972	486	201,708	101,004
Other	491,309	125,274	1,035,842	376,247
	<b>4,425,483</b>	<b>2,188,032</b>	<b>5,651,380</b>	<b>2,668,071</b>

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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

### 38 INCOME FROM/LOSS FROM OTHER OPERATIONS

#### 38.1 Income From Other Operations

For the six-month and three-month periods ended 30 June 2007 and 2006 income from other operations comprised the following:

	30 June 2007		30 June 2006	
	6-month period	3-month period	6-month period	3-month period
Interest income on time deposits	2,473,304	499,184	561,887	204,957
Interest income from credit sales	1,538,502	1,163,411	1,202,465	753,885
Currency exchange gain	939,037	293,003	2,168,756	1,769,832
Gain on sale of tangibles	19,006	19,006	124,398	70,216
Other	281,938	101,135	99,264	49,897
	<b>5,251,787</b>	<b>2,075,739</b>	<b>4,156,770</b>	<b>2,848,787</b>

#### 38.2 Loss From Other Operations

For the six-month and three-month periods ended 30 June 2007 and 2006 loss from other operations comprised the following:

	30 June 2007		30 June 2006	
	6-month period	3-month period	6-month period	3-month period
Impairment on tangible assets*	(2,953,015)	(2,070,987)	--	--
Loss on sale of tangible assets	(50,899)	(50,899)	(182)	(182)
Idle capacity expenses **	(1,874,359)	(1,130,397)	--	--
Currency exchange loss	(1,201,767)	(291,216)	(3,074,421)	(2,615,846)
Bad debt expenses	--	--	(118,371)	(118,371)
Interest expense from credit purchases	--	--	(303,381)	(228,658)
Other	(158,617)	(39,538)	(276,421)	(150,151)
	<b>(6,238,657)</b>	<b>(3,583,037)</b>	<b>(3,772,776)</b>	<b>(3,113,208)</b>

(\*) Since the glass and stone units of the Company have been renovated, the former units of the Company will not be used in the forthcoming periods. The Company reviewed the useful life of those units and has written off those units amounting to YTL 2,953,015.

(\*\*) 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.

### 39 FINANCE COSTS

For the six-month and three-month periods ending 30 June 2007 ve 2006 , finance costs comprised the following:

	30 June 2007		30 June 2006	
	6-month period	3-month period	6-month period	3-month period
Interest expense on borrowings	168,223	140,282	350,963	257,351
	<b>168,223</b>	<b>140,282</b>	<b>350,963</b>	<b>257,351</b>

## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

*Amounts expressed in New Turkish Lira ("YTL") unless otherwise stated. Other currencies other than YTL is expressed in full unless otherwise stated.*

### 40 MONETARY GAIN/LOSS

By the resolution taken on 17 March 2005, the CMB has publicly announced that, effective from 1 January 2005, the application of inflation accounting is no longer required (Note 2). Accordingly, the Company has not generated monetary gain or incurred loss for the six-month periods ended 30 June 2007 and 2006 and for the year ended 31 December 2007.

### 41 TAXES ON INCOME

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% to 20%. Accordingly, effective from 1 January 2006, statutory income is subject to corporate tax at 20%.

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 nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, increased from 10% to 15%.

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

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

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

As of 30 June 2007 and 31 December 2006 total tax liabilities comprised the following:

	<u>30 June 2007</u>	<u>31 December 2006</u>
Corporate tax provision (Note 23)	5,087,872	9,607,600
Taxes paid in advance (Note 23 and 15)	(2,741,807)	(7,215,189)
Deferred tax liability (Note 14)	2,518,462	2,492,197
	<u>4,864,527</u>	<u>4,884,608</u>



## İzocam Ticaret ve Sanayi Anonim Şirketi

Notes to the Interim Financial Statements as of and for the Six-Month and Three-Month Period Ended 30 June 2007

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### 41 TAXES ON INCOME (CONTINUED)

For the six-month and three-month periods ended 30 June 2007 and 2006 taxation charge in the income statement comprised the following:

	30 June 2007		30 June 2006	
	Six-month period	Three-month period	Six-month period	Three-month period
Deferred tax income/(charge)	(26,265)	301,490	1,496,184	1,469,811
Current tax	(5,087,872)	(2,813,424)	(3,916,976)	(1,682,604)
	<b>(5,114,137)</b>	<b>(2,511,934)</b>	<b>(2,420,792)</b>	<b>(212,793)</b>

The reported taxation charge for the period ended 30 June 2007 are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

		%
Profit before tax	24,497,651	
Tax rate	20.00%	
Taxes on reported profit per statutory tax rate	4,899,530	20.00
Unrecognized deferred taxes from prior year temporary differences	207,052	0.85
Disallowable expenses	7,555	0.03
Taxation charge	<b>5,114,137</b>	<b>20.88</b>

### 42 EARNINGS PER SHARE

Earnings per share is computed by dividing the net profit for the six-month and three-month periods ended 30 June 2007 YTL 19,383,514 (30 June 2006: YTL 16,394,024 ) and YTL 10,026,177 (30 June 2006: YTL 11,404,752), respectively to the weighted average of the shares.

	30 June 2007		30 June 2006	
	Six-month period	Three-month period	Six-month period	Three-month period
Net profit	19,383,514	10,026,177	16,394,024	11,310,055
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)	0.790	0.409	0.668	0.461

### 43 CASH FLOW STATEMENT

Cash flow statement has been presented together with the financial statements.

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

None.

AKİS  
BAĞIMSIZ DENETİM ve  
SERBEST MÜHÜRSEBECİ  
MALİ MÜŞAVİRLİK A.Ş.