IZOCAM TICARET VE SANAYI ANONIM SIRKETI

CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007

CONTENTS **PAGE**

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

Balance Sheet (YTL)	**Notes**	**Unaudited 31.03.2007**	**Audited 31.12.2006**
ASSETS			
Current assets		**88,933,975**	**141,864,993**
Cash and cash equivalents	4	3,243,867	55,752,338
Marketable securities (net)	5	0	0
Trade receivables (net)	7	53,283,139	53,001,431
Leasing receivables (net)	8	0	0
Due from related parties (net)	9	386,769	145,939
Other receivables (net)	10	40,918	13,194
Biological assets (net)	11	0	0
Inventories (net)	12	26,993,594	23,070,256
Construction contract receivables (net)	13	0	0
Deferred tax assets	14	0	0
Other current assets	15	4,985,688	9,881,835
Non-current assets		**81,619,780**	**69,581,936**
Trade receivables (net)	7	2,804	2,804
Leasing receivables (net)	8	0	0
Due from related parties (net)	9	0	0
Other receivables (net)	10	0	0
Financial assets (net)	16	0	0
Goodwill / negative goodwill (net)	17	0	0
Investment properties (net)	18	0	0
Property, plant and equipment (net)	19	81,513,998	69,459,426
Intangible assets (net)	20	102,978	119,706
Deferred tax assets	14	0	0
Other non-current assets	15	0	0
TOTAL ASSETS		**170,553,755**	**211,446,929**

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

LIABILITIES	**Notes**	**Unaudited**	**Audited**
Current liabilities		**21,899,545**	**30,849,815**
Short-term borrowings (net)	6	0	0
Current portion of long-term borrowings (net)	6	226,900	0
Lease obligations (net)	8	0	0
Other financial liabilities (net)	10	1,405,670	1,333,564
Trade payables (net)	7	15,994,641	18,787,522
Due to related parties (net)	9	481,674	380,971
Advances received	21	0	0
Construction progress billings (net)	13	0	0
Provisions	23	3,457,936	9,890,713
Deferred tax liabilities	14	0	0
Other liabilities (net)	15	332,724	457,045
Non-current liabilities		**25,205,995**	**21,506,236**
Long-term borrowings (net)	6	18,383,000	15,330,095
Leasing obligations (net)	8	0	0
Other financial liabilities (net)	10	0	0
Trade payables (net)	7	0	0
Due to related parties (net)	9	0	0
Advances received	21	0	0
Provisions	23	4,003,043	3,683,944
Deferred tax liabilities	14	2,819,952	2,492,197
Other liabilities (net)	10	0	0
MINORITY INTEREST	24	**0**	**0**
SHAREHOLDERS' EQUITY		**123,448,215**	**159,090,878**
Share capital	25	**24,534,143**	**24,534,143**
Treasury shares	25	**0**	**0**
Capital reserves	26	**48,226,041**	**48,226,041**
Share premium		1,092	1,092
Share cancellation gains		0	0
Revaluation fund		0	0
Financial assets fair value reserve		0	0
Inflation adjustment to shareholders' equity		48,224,949	48,224,949
Profit reserves	27	**41,120,698**	**25,133,995**
Legal reserves		12,329,123	6,404,304
Statutory reserves		0	0
Extraordinary reserves		28,791,529	18,729,645
Special reserves		46	46
Investment and property sales income to be added to the capital		0	0
Translation reserve		0	0
Current year profit		**9,357,337**	**60,986,703**
Retained earnings	28	**209,996**	**209,996**
Total Shareholders' Equity and Liabilities		**170,553,755**	**211,446,929**

The notes on page 6 to 35 are an integral part of these financial statements.

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

INCOME STATEMENT (YTL)	Notes	Unaudited 31.03.2007	Unaudited 31.03.2006
		0	
OPERATING REVENUES			
Net sales	36	51,559,822	42,909,571
Cost of sales (-)	36	(32,634,670)	(28,217,434)
Income from services(net)	36	0	0
Income from other operating activities / interest+dividend+rent+other	36	0	0
GROSS OPERATING PROFIT		**18,925,152**	**14,692,137**
Operating expenses (-)	37	(7,458,099)	(7,954,972)
NET OPERATING PROFIT		**11,467,053**	**6,737,165**
Other income and profits	38	3,176,048	1,307,983
Other expenses and losses (-)	38	(2,655,620)	(659,568)
Financial expenses (net) (-)	39	(27,941)	(93,612)
OPERATING PROFIT		**11,959,540**	**7,291,968**
Monetary gain/loss	40	0	0
MINORITY INTEREST	24	**0**	**0**
INCOME BEFORE TAX		**11,959,540**	**7,291,968**
Taxes on income	41	(2,602,203)	(2,207,999)
NET INCOME		**9,357,337**	**5,083,969**
EARNINGS PER SHARE	42	**0.00381**	**0.00207**

The notes on page 6 to 35 are an integral part of these financial statements.

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

CASH FLOW STATEMENT	**Notes**	**Unaudited 31.03.2007**	**Unaudited 31.03.2006**
Net cash provided by operating activities			
Income before tax		11,959,540	7,291,968
Adjustments to reconcile income before tax to net cash provided by operating activities:			
Depreciation and amortization	19-20	1,993,274	2,225,816
Increase in provision for employment termination benefit	23	238,604	428,830
Decrease in provision for unused annual vacation	23	123,080	-
Interest income	38	(2,349,211)	(805,510)
Interest expense	39	27,941	93,612
(Gain)/loss on sale of tangible assets (net)	38	882,028	(54,181)
Provision for doubtful receivables		-	629,437
Other non-cash provisions		1,329,215	1,041,897
Net cash provided from operating activities before changes in operating assets and liabilities		**14,204,471**	**10,851,869**
Changes in operating assets and liabilities	43	(2,551,728)	5,807,423
Income taxes paid		(9,607,600)	(8,865,391)
Employment termination benefits paid	23	(42,585)	(71,851)
Net cash used in / (provided by) operating activities		**(12,201,913)**	**7,722,050**
Investment activities			
(Purchase)/sales of property, plant and equipment and intangibles, net		(14,913,146)	(348,950)
Net cash provided by investing activities		**(14,913,146)**	**(348,950)**
Financial activities			
Change in borrowings and other financial liabilities		3,052,905	506,668
Dividend paid		(45,000,000)	(11,040,365)
Interest received (net)		2,601,071	822,644
Net cash provided by financing activities		**(39,346,024)**	**(9,711,053)**
Net increase in cash and cash equivalents		(52,256,612)	(2,337,953)
Cash and cash equivalents at the beginning of the period	**3.23**	**55,499,043**	**15,906,807**
Cash and cash equivalents at the end of the period	**3.23**	**3,242,431**	**13,568,854**

The notes on page 6 to 35 are an integral part of these financial statements.

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Share premium	Inflation adjustment to shareholders' equity	Financial assets fair value reserve	Legal reserves	Extraordinary reserves	Special reserves	Net income for the period	Retained earnings	Total shareholders' equity
Balances at 1 January 2006	**24,534,143**	**1,092**	**48,224,949**	**19,371,709**	**4,311,006**	**11,580,808**	**46**	**20,282,500**	**209,996**	**128,516,249**
Transfers	-	-	-	-	2,093,298	18,189,202	-	(20,282,500)	-	-
Dividend	-	-	-	-	-	(11,040,365)	-	-	-	(11,040,365)
Financial assets fair value gain	-	-	-	3,652,456	-	-	-	-	-	3,652,456
Sale of financial assets	-	-	-	(23,024,165)	-	-	-	-	-	(23,024,165)
Net income for the period	-	-	-	-	-	-	-	60,986,703	-	60,986,703
Balances at 31 December 2006	**24,534,143**	**1,092**	**48,224,949**	**-**	**6,404,304**	**18,729,645**	**46**	**60,986,703**	**209,996**	**159,090,878**
Balances at 1 January 2007	**24,534,143**	**1,092**	**48,224,949**	**-**	**6,404,304**	**18,729,645**	**46**	**60,986,703**	**209,996**	**159,090,878**
Transfers	-	-	-	-	5,924,819	22,074,567	-	(27,999,386)	-	-
Dividend	-	-	-	-	-	(12,012,683)	-	(32,987,317)	-	(45,000,000)
Net income for the period	-	-	-	-	-	-	-	9,357,337	-	9,357,337
Balances at 31 March 2007	**24,534,143**	**1,092**	**48,224,949**	**-**	**12,329,123**	**28,791,529**	**46**	**9,357,337**	**209,996**	**123,448,215**

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

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 equipment (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).

A share transfer agreement ("Share Transfer Agreement") was signed between Koç Holding A.Ş., Semahat S. Arsel, Suna Kıraç, Rahmi M.Koç, Mustafa V.Koç, M.Ömer Koç, Y.Ali Koç, Temel Ticaret ve Yatırım A.Ş., Koç Yapı Malzemeleri Ticaret A.Ş., Rahmi M.Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş ("Sellers") and Saint Gobain Isover and Alamana Industries Co. S.A.K ("Buyers") for the sale of shares representing 61,1935% of the capital of İzocam Ticaret ve Sanayi A.Ş. which was owned by Sellers.

1.314.020.534,50 shares corresponding to 53,5588% of İzocam's share capital was transferred to İzocam İzolasyon Ticaret A.Ş established by the Buyers, pursuant to the Share Transfer Agreement on the closing date, 29 November 2006.

Right of usufruct was established over the 187.309.862 shares owned by Koç Yapı Malzemeleri Ticaret A.Ş. ve Temel Ticaret ve Yatırım A.Ş corresponding to 7,6347% of the capital of İzocam with the usufruct contract dated 29 November 2006, and these shares will be transferred to İzocam İzolasyon Ticaret A.Ş on 10 July 2007.

İzocam İzolasyon Ticaret A.Ş applied to the Capital Markets Board with a call to takeover 9,520,839.39 units of company shares, each with a nominal value of YTL1 amounting to a total nominal value of YTL9,520,839.39, which represents 38.8065% of İzocam's capital as at 13 December 2006. The call process ended on 19 February 2007 and with the shares collected through the call, the share of İzocam İzolasyon Ticaret A.Ş in İzocam became 86.30%.

The Company conducts business relationship with the Saint Gobain Group, which is the related party. The Company has several related parties as their customers and suppliers (Note 9). The Company is registered with the Capital Markets Board ("CMB") and its shares are listed in Istanbul Stock Exchange ("ISE") since 15 April 1981. Izocam has 6.07% shares registered with ISE as of 31 March 2007.

Total staff of 420 (31 December 2006: 420) consisting of an average 190 (31 December 2006: 193) white collar and 230 (31 December 2006: 227) blue collar workers are employed by the Company.

The registered address of the Company is as follows:

Organize Sanayi Bölgesi
3. Cadde No.4 Yukarıdudullu
34775 Ümraniye İSTANBUL

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting policies

The 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”) 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 1 January 2005. These financial statements and the related notes have been presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

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

2.2 Financial reporting in hyperinflationary periods

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 the companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index (“WPI”) published by the State Institute of Statistics (“SIS”). Indices and conversion factors used to restate the comparative amounts until 31 December 2004 are given below:

Dates	Index	Conversion factors	Cumulative 3-year inflation rates%
31 December 2004	8.403,8	1,000	69.7
31 December 2003	7.382,1	1,138	181.1

2.3 Comparative information

Where necessary, comparative figures are reclassified to conform to changes in presentation of the current period financial statements.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

2.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

3.1 Revenue

Revenue comprises the invoiced value for the sale of goods and services. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company. Net sales represent the invoiced value of goods shipped less sales returns. When the arrangement effectively constitutes a financing transaction, 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 recognised as interest income on accrual basis (Note 36).

3.2 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads (based on normal operating capacities). The cost of inventories is determined on the moving monthly average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12).

3.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation (Note 19). Depreciation is provided using the straight-line method based on the estimated useful lives of the assets, except for land. The expected useful lives of property, plant and equipment are as follows:

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

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

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Intangible assets

Intangible assets comprise acquired software rights They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period which are between three and six years. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 20).

3.5 Impairment of assets

All assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. Impairment losses are recognized at income statement.

Impairment loss on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

3.6 Trade receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortised cost. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision 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 provision is credited to other income.

The Company provided provision for all receivables which are subject to lawsuit. Exchange rate difference resulted from foreign currency denominated bad debt receivables is included in the bad debt provision and same amount of foreign exchange difference is also accounted as foreign exchange gain.

3.7 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings (Not 39). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are included in the cost of that asset.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. This risk is monitored by credit ratings and limiting the aggregate risk to any individual counterparty (excluding related parties), and through obtaining collaterals, if deemed necessary.

Funding risk

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

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing financial instruments. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

Foreign currency risk

The Company is exposed to foreign exchange risk due to impact of changes in exchange rates used in translation of foreign currency denominated liabilities and assets. This risk is monitored and limited through the daily analysis of foreign currency position.

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

The following methods and assumptions are used in the estimation of the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

Foreign currencies denominated balances are translated to YTL with period end exchange rates announced by the Central Bank of Turkey.

Financial assets which include sash and cash equivalents that are denominated in foreign currency are translated to YTL with period end exchange rates announced by the Central Bank of Turkey.

Foreign currencies denominated trade receivable are translated to YTL with period end exchange rates announced by the Central Bank of Turkey.

Discounted cash flows and recent similar transactions are used as valuation techniques for available for sale financial assets.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

Monetary liabilities

The fair values of customer deposits, funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Trading liabilities have been estimated at their fair values.

The fair value of foreign currency denominated long-term borrowings, which are translated at period-end exchange rates, is considered to approximate their carrying values.

3.9 Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated 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 recognised 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 Earnings per share

Earnings per share disclosed in the statement of income 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 revaluation surplus.

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, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorised for issue.

In the case that events requiring a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements.

3.12 Provisions, contingent assets and liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial tables and treated as contingent assets or liabilities (Note 31).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Accounting policies, changes in accounting estimates and errors

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 recognised in the current and also future periods.

3.14 Related parties

For the purpose of these financial statements, 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. Transactions with related parties are priced predominantly at market rates (Note 9).

3.15 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliability, contract revenue and contract cost is recognised based on the percentage of completion. Percentage of completion is determined with completed contractual cost and estimated contractual cost. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Costs incurred during the period in connection with future activity on a contract are excluded and shown as contract work in progress. The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end; where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts, under receivables and prepayments. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contracts, under trade and other payables.

3.16 Government grants and incentives

Incentives are carried in the financial statements when the Company can provide a fair level of assurance that the required conditions will be fulfilled and that the incentive can be obtained by the Company.

Government grants will be indicated on the financial statements even when they comprise a deduction of liabilities to the government.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Corporate taxes

Include income tax liability on period income or loss, taxes of current period and deferred taxes. Current period tax liability includes the taxes payable calculated on the taxable portion of period income with tax rates applicable on the balance sheet date (Note 41).

3.18 Deferred taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority and deferred tax assets and deferred tax liabilities are offset accordingly (Note 14).

3.19 Employee benefits / Employment termination benefits

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees, completion of one year of service of the employees, employees' being calling up for military service or death of the employees calculated in accordance with the Turkish Labour Law (Note 23).

3.20 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 (Note 4).

3.21 Share capital and dividends

Ordinary shares are classified as equity (Note 25). Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends payable are recognised as an appropriation of profit in the period in which they are declared.

3.22 Available-for-sale investments

Investments intended to be held for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale. These are included in non-current assets unless management has the expressed intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management makes the proper classification of such financial instruments at the date they are purchased and monitors this classification regularly.

Equity securities whose fair value can be reliably estimated are carried at fair value.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

3.22 Available-for-sale investments (continued)

All other equity securities classified as available-for-sale are carried at cost after deduction for any impairment if the Company is not able to make an estimate of the fair values that are sufficiently reliable for certain unlisted equity securities, due to the high variability in the range of reasonable estimates and various outcome probabilities to assess the usefulness of a single estimate. The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are recognised in equity (Note 16).

3.23 Reporting of cash flows

For purposes of the statements of cash flows, cash and cash equivalents include cash in hand, bank deposits and loans given to the banks within the framework of reverse repurchase agreements with predetermined sale price at fixed future dates of less than 3 months.

Cash and cash equivalents included in the statement of cash flows at 31 March 2007 and 2006 are as follows:

	31 March 2007	**31 March 2006**
Cash and banks (Note 4)	3,243,867	13,593,891
Less: Interest accruals	(1,436)	(25,037)
Cash and cash equivalents (Note 43)	**3,242,431**	**13,568,854**

3.24 Convenience translation into English of consolidated financial statements originally issued in Turkish

As of 31 March 2007, the accounting principles applied differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2007	31 December 2006
Banks		
-demand deposits	1,279,467	965,707
-time deposits	1,473,436	54,785,845
Cheques received	489,696	-
Other cash equivalents	1,268	786
	3,243,867	**55,752,338**

Details of demand deposits are as below;

	31 March 2007	31 December 2006
YTL	258,442	564,544
USD	961,881	235,424
Euro	59,144	165,739
	1,279,467	**965,707**

Details of time deposits are as below;

	31 March 2007	31 December 2006
YTL	1,473,436	46,717,835
USD	-	4,363,184
Euro	-	3,704,826
	1,473,436	**54,785,845**

As of 31 March 2007, time deposits are denominated in YTL and the effective interest rate is 18%. (31 December 2006: time deposits are denominated in YTL, USD and Euro and their effective interest rates are 21%, 5% and 3%, respectively). As of 31 March 2007 and 31 December 2006 the maturities of time deposits are less than 1 month.

NOTE 5 - MARKETABLE SECURITIES

None (31 December 2006: None).

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 6 – BORROWINGS

Details of borrowings at 31 March 2007 and 31 December 2006 are as follows

	Effective interest rate per annum		Original Foreign Currency		YTL	
	31 March 2007	**31 December 2006**	**31 March 2007**	**31 December 2006**	**31 March 2007**	**31 December 2006**
Short-term bank borrowings:						
Short-term portion of long-term borrowings– Euro	4,98%-5,05%	-	123,429	-	226,900	-
Total short term bank borrowings	-	-	-	-	-	-
Long-term bank borrowings:						
Long-term bank borrowings – Euro	4,98%-5,05%	4,98%-5,05%	10,000,000	8,278,744	18,383,000	15,330,095
Total long term bank borrowings					**18,383,000**	**15,330,095**

The redemption schedule of long-term borrowings at 31 March 2007 is summarized below:

	Original Foreign Currency (Euro)	YTL Amount
1 December 2008 – 31 December 2008	2,857,143	5,252,286
1 December 2009 – 31 December 2009	2,857,143	5,252,286
1 December 2010 – 31 December 2010	2,857,143	5,252,286
1 December 2011 – and after	1,428,571	2,626,142
	10,000,000	**18,383,000**

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 March 2007	31 December 2006
Short-Term Trade Receivables:		
Trade receivables	36,506,084	26,866,589
Notes receivables	8,609,250	18,562,500
Cheques receivables	8,167,805	7,545,409
Doubtful receivables	756,451	783,384
Less: Provision for doubtful receivables	(756,451)	(756,451)
	53,283,139	**53,001,431**

The movements of provisions for doubtful receivables for the years ended 31 March 2007 and 31 December 2006 are as follows:

	31 March 2007	31 December 2006
1 January	756,451	1,938,523
Provisions provided during the period (Note 38)	-	216,702
Bad debt receivables written-off during the period	-	(1,398,774)
31 March	**756,451**	**756,451**

Short-Term Trade Payable:	**31 March 2007**	**31 December 2006**
Trade payables	15,908,913	18,770,252
Deposits and guarantees received	20,711	17,270
Other trade payables	65,017	-
	15,994,641	**18,787,522**

	31 March 2007	31 December 2006
Long-Term Trade Receivables:		
Deposits and guarantees given	2,804	2,804

NOT 8 - LEASE RECEIVABLES AND PAYABLES

None (31 December 2006: None).

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 9 - DUE FROM/TO RELATED PARTIES

i) Due from and due to related parties as of 31 March 2007 and 31 December 2006 are as below:

Due from related companies:

	31 March 2007	31 December 2006
Saint-Gobain Isover Romania SRL(*)	386,769	145,939
	386,769	**145,939**

	31 March 2007	31 December 2006
Due to related companies:		
Saint Gobain Weber MarkemYapı Kimyasalları Ticaret. A.Ş. (*)	205,839	256,754
Saint Gobain Isover Romania SRL (*)	213,726	104,339
Diğer	62,109	19,878
	481,674	**380,971**

(*)After finalisation of Share Transfer Agreement as of 29 November 2006, Saint Gobain Weber Markem Yapı Kimyasalları Tic. A.Ş.ve Saint Gobain Isover Romania SRL were added to the related parties.

ii) Major sales to related parties and purchases from related parties for the years ended 31 March 2007 and 31 December 2006 are as below:

	2007	2006
Sales:		
Saint Gobain Isover Romania SRL.	566,558	-
Arçelik AŞ (*)	-	3,703,109
Beko Elektronik AŞ (*)	-	2,234,887
Koçtaş Yapı Marketleri AŞ (*)	-	71,694
Other	-	32,979
	566,558	**6,042,669**

(*) Above disclosed sales to Koç Group Companies are not represented comparatively as of 31 March 2007, because after finalisation of Share Transfer Agreement as of 29 November 2006, Koç Group Companies are excluded from the scope of the related party.

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 9 - DUE FROM/TO RELATED PARTIES (Continued)

Service and product purchases:	**1 January-31 March 2007**	**1 January-31 March 2006**
Saint Gobain Weber MarkemYapı Kimyasalları Ticaret A.Ş.	215,968	-
Saint Gobain Isover France	379,486	-
Koç Statoil Gaz Toptan Satış A.Ş. (*)	-	1,151,802
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş. (*) ("Entek")	-	911,077
Ram Sigorta ve Aracılık Hizmetleri A.Ş.(*)	-	644,746
Akpa Day. Tük. LPG Akaryakıt Ürünl. Paz. A.Ş. (*)	-	591,925
Setur Servis Turistik A.Ş (*)	-	312,790
Koç Holding A.Ş. (*)	-	240,000
Beko Ticaret A.Ş. (*)	-	224,769
Palmira Turizm Ticaret A.Ş. (*)	-	181,789
Otokoç Otomotiv Ticaret ve Sanayi A.Ş. (*)	-	94,335
Diğer	-	331,677
	595,454	**4,684,910**

iii) Other transactions with the related parties for the three-month period ended 31 March 2007 and 31 March 2006 are as below:

Interest income/(expense) - net:	**31 March 2007**	**31 March 2006**
Yapı ve Kredi Bankası A.Ş. (*)	-	180,822
Koçbank A.Ş. (*)	-	7,249
	-	**188,071**

Dividend paid:	**31 March 2007**	**31 December 2006**
İzocam İzolasyon Ticaret AŞ	27,519,394	-
Merkezi Kayıt Kuruluşu (MKK)	17,434,230	-
Yasemin Gülçiçek	2,909	-
	44,956,533	**-**

(*) Above disclosed transactions with Koç Group Companies are not represented comparatively as of 31 March 2007, because after finalisation of Share Transfer Agreement as of 29 November 2006, Koç Group Companies are excluded from the scope of the related party.

Remuneration paid to top management:

Remuneration paid to top management by the Company during the three-month period ended at 31 March 2007 is YTL 222,025 (31 March 2006: YTL195,234).

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 March 2007	31 December 2006
Other receivables		
Job advances	29,474	13,011
Receivables from personnel	4,225	-
Others	7,219	183
	40,918	**13,194**

Other financial liabilities		
Taxes and funds payable	653,427	633,580
Social security premiums payable	741,712	682,359
Others	10,531	17,625
	1,405,670	**1,333,564**

NOTE 11 - BIOLOGICAL ASSETS

None (31 December 2006: None).

NOTE 12 - INVENTORIES

	31 March 2007	31 December 2006
Raw materials and supplies	15,277,077	15,664,301
Finished goods	9,107,598	5,802,739
Merchandise	1,082,253	1,198,179
Order advances	1,526,708	405,037
	26,993,636	**23,070,256**

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

None (31 December 2006: None).

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for CMB purposes and their statutory tax financial statements.

Deferred income taxes will be calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% (2006: 20%).

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOT 14 - ERTELENEN VERGİ VARLIKLARI VE YÜKÜMLÜLÜKLERİ (Devamı)

The details of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) provided at 31 March and 31 December 2006 using the enacted future tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/ liabilities	
	31 March 2007	**31 December 2006**	**31 March 2007**	**31 December 2006**
Provision for employee termination benefits	(3,438,514)	(3,242,495)	687,703	648,499
Provision for unused annual vacation	(564,529)	(441,449)	112,906	88,290
Unearned credit finance income/expense	669,030	(67,483)	(133,806)	13,497
Difference between tax base and carrying value of property, plant and equipment and intangibles	17,147,865	16,212,414	(3,429,573)	(3,242,483)
Capitilized depreciation expense over stocks	285,903	-	(57,182)	-
Deferred tax liabilities	**14,099,755**	**12,460,987**	**(2,819,952)**	**(2,492,197)**

The movements of deferred tax liabilities are as below;

	31 March 2007	**31 December 2006**
Balance at the beginning of the period	**(2,492,197)**	**(4,068,718)**
Deferred tax benefit (Note 41)	(327,755)	(1,576,521)
Balance at the end of the period	**(2,819,952)**	**(2,492,197)**

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

Other current assets	**31 March 2007**	**31 December 2006**
Value added tax receivable	3,680,270	2,357,013
Prepaid expenses	843,973	36,833
Taxes and funds to be offset	333,897	157,176
Value added tax export receivable due to activities	104,986	109,635
Other	22,562	5,989
Prepaid taxes and funds (Note 41)	--	7,215,189
	4,985,688	**9,881,385**

Other non-current assets
None (31 December 2006: None).

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 15 - OTHER CURRENT - NON CURRENT ASSETS AND SHORT/LONG TERM LIABILITIES (continued)

Other liabilities	31 March 2007	31 December 2006
Payable to personnel	332,724	457,045
	332,729	**457,045**

NOTE 16 - FINANCIAL ASSETS

None (31 December 2006: None)

NOTE 17 - GOODWILL/ NEGATIVE GOODWILL

None (31 December 2006: None).

NOTE 18 - INVESTMENT PROPERTY

None (31 December 2006: None).

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	Openning 1 January 2006	Transfers (*)	Additions	Disposals	Closing 31 March 2007
Cost					
Land	715,231	-	-	-	715,231
Land improvements	3,615,396	1,852	9,500	-	3,626,748
Buildings	28,845,966	784	-	-	28,846,750
Machinery and equipment	135,115,998	(1,319,389)	3,522	(2,092,292)	131,707,839
Vehicles	72,932	481	-	(1,903)	71,510
Furniture and Fixtures	8,577,798	(418,786)	44,469	(20,657)	8,182,824
Leasehold improvements	58,176	-	-	(15,898)	42,278
Construction in progress	17,738,186	(41,915)	7,559,562	-	25,255,833
Advances given	8,679,726	-	7,305,509	-	15,985,235
	203,419,409	**(1,776,973)**	**14,922,562**	**(2,130,750)**	**214,434,248**
Accumulated depreciation					
Land and land improvements	(2,101,419)	(722)	(37,066)	-	(2,139,207)
Buildings	(15,613,047)	(784)	(258,363)	-	(15,872,194)
Machinery and equipment	(108,209,901)	1,341,404	(1,631,841)	1,210,265	(107,290,073)
Vehicles	(72,931)	(481)	(1)	1,903	(71,510)
Furniture and Fixtures	(7,917,885)	437,556	(48,093)	11,240	(7,517,182)
Leasehold improvements	(44,800)	-	(1,182)	15,898	(30,084)
	(133,959,983)	**1,776,973**	**(1,976,546)**	**1,239,306**	**(132,920,250)**
Net book value	**69,459,426**				**81,513,998**

Hata! Bağlantı geçersiz. Depreciation expense for the three-month period ended 31 December 2006 amounts to YTL 1,636,387 and YTL 54,256 are included in cost of sales and general administrative expenses, respectively.

Depreciation expense amounting to YTL 285,903 is shown in inventory without reflecting over cost of sales.

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 20 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortisation during the three-month period ended 31 March 2007 are as follows:

	1 January 2006	Transfers*	Additions	Disposals	31 March 2007
Rights	916,630	(230,055)	-	-	686,575
Accumulated Amortization	(796,924)	230,055	(16,728)	-	(583,597)
Net book value	**119,706**				**102,978**

Amortisation expense for the three-month period ended 31 March 2007 amounted to YTL16,728 is included general administrative expenses.

(*) The Company revized details of its tangible and intangible assets' ledger during the year 2007 and appropriately classified the cost and acumulated depreciation of its tangible and intangible assets.

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 21 - ADVANCES RECEIVED

None (31 March 2006: None).

NOTE 22 - RETIREMENT PLANS

Except for the employment termination benefit provision explained in Note 23, there is no other retirement plan.

NOTE 23 - PROVISIONS

	31 March 2007	31 December 2006
Short-term provisions		
Corporation and income taxes payable (Note 41)	2,274,448	9,607,600
Accrual for various administrative costs	1,183,488	283,113
	3,457,936	**9,890,713**

	31 March 2007	31 December 2006
Long-term provisions		
Provision for employment termination benefits	3,438,514	3,242,495
Provision for unused annual leave	564,529	441,449
	4,003,043	**3,683,944**

Provision for employment termination benefits are provided as below:

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 31 March 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 following actuarial assumptions were used to compute the liability:

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOT 23 - PROVISIONS (Continued)

	31 March 2007	31 December 2006
Discount rate (%)	5.71	5.71
Turnover rate to estimate the probability of retirement (%)	2	2

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 1,960.69) has been taken into consideration in calculations.

Movements in the provision for employment termination benefits at for the years ended 31 March 2007 and 31 December 2006 are as follows:

	31 March 2007	31 December 2006
1 January	3,242,495	3,607,571
Additions (Note 37)	238,604	1,292,205
Payments	(42,585)	(1,657,281)
Amount at the end of the period	**3,438,514**	**3,242,495**

NOTE 24 - MINORITY INTEREST

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

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

	31 March 2007		31 December 2006	
Shareholders	**Amount**	**Share %**	**Amount**	**Share %**
İzocam İzolasyon Ticaret AŞ	21,173,632	86.30%	13,140,205	53,56%
Koç Yapı Malzemeleri Tic. AŞ (*)	647,899	2.64%	647,899	2,64%
Temel Ticaret ve Yatırım AŞ (*)	1,225,200	4.99%	1,225,200	4,99%
Other	1,487,412	6.07%	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	
Total share capital	**50,390,603**		**50,390,603**	

Adjustment to share capital represents the restatement effect of cash contributions to share capital at 31 December 2004 purchasing power.

There are 2.453.414.335 (2006: 2.453.414.335) shares with a nominal value of each Ykr 1 (2006: Ykr 1).

There are not different types of shares and no privileges have been given to specific shareholders.

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL (continued)

1,314,020,534.50 shares corresponding to 53,5588% of İzocam's share capital was transferred to İzocam İzolasyon Ticaret A.Ş established by the Buyers, pursuant to the Share Transfer Agreement on the closing date, 29 November 2006.

(*) Right of usufruct was established over the 187,309,862 shares owned by Koç Yapı Malzemeleri Ticaret A.Ş. ve Temel Ticaret ve Yatırım A.Ş corresponding to 7,6347% of the share capital of İzocam with the usufruct contract dated 29 November 2006, and these shares will be transferred to İzocam İzolasyon Ticaret A.Ş on 10 July 2007.

NOTE 26-27-28 - CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS

Retained earnings, as per the statutory financial statements, other than legal reserves, are available for distribution, subject to the legal reserve requirement referred to below.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. 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.

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

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.

Effective from 1 January 2004, the net income computed in accordance with Communiqué No: XI-25 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.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders' equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in shareholders' equity in total as restatement difference.

Restatement difference of shareholders' equity 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 form 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 YTL 32,987,317 and by transfering 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.

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 26-27-28 - CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS (Continued)

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

	31 March 2007	31 December 2006
Share capital	24,534,143	24,534,143
Share premium	1,092	1,092
Legal reserves	12,329,123	6,404,304
Extraordinary reserves	28,791,529	18,729,645
Special reserves	46	46
Inflation adjustments to shareholders' equity	48,224,949	48,224,949
Net income for the period	9,357,379	60,986,703
Retained earnings	209,996	209,996
Total shareholders' equity	**123,448,257**	**159,090,878**

The restated amounts and the shareholders' equity at 31 December 2004 purchasing power and restatement differences of the aforementioned nominal values at 31 March 2007 and 31 December 2006 and are as follows:

	31 March 2007		
	Historical Values	Inflation adjustment to shareholders' equity	Restated Amount
Share capital	24,534,143	25,856,460	50,390,603
Share premium	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
	65,655,933	**48,224,949**	**113,880,882**

	31 December 2006		
	Historical Values	Inflation adjustment to shareholders' equity	Restated Amount
Share capital	24,534,143	25,856,460	50,390,603
Share premium	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
	49,669,230	**48,224,949**	**97,894,179**

Historical values of extraordinary reserves of the Company in accordance with Tax Laws are YTL12,551,832 YTL and YTL24,564,515 as of 31 March 2007 and 31 December 2006, respectively.

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 29 - FOREIGN CURRENCY POSITION

YTL equivalents of assets and liabilities denominated in foreign and local currency at 31 March 2007 and 31 December 2006 are as follows:

	31 March 2007	31 December 2006
Assets	13,357,291	20,951,116
Liabilities	(19,294,546)	(16,209,564)
Net balance sheet position	**(5,937,255)**	**4,741,552**

YTL equivalents of foreign currency amounts:

31 March 2007				**Total**
Assets	**USD**	**Euro**	**GBP**	**FC**
Cash and cash equivalents	5,119,212	324,019	-	5,443,231
Trade receivables	5,802,763	2,086,660	24,637	7,914,060
	10,921,975	**2,410,679**	**24,637**	**13,357,291**
Liabilities				
Trade payables	477,790	433,756	-	911,546
Long term bank borrowings	-	18,383,000	-	18,383,000
	477,790	**18,816,756**	**-**	**19,294,546**
Net foreign currency position	**10,444,185**	**(16,406,077)**	**-**	**(5,937,255)**

31 December 2006				**Total**
Assets	**USD**	**Euro**	**GBP**	**FC**
Cash and cash equivalents	4,598,608	3,870,565	-	8,469,173
Trade receivables	9,339,000	3,142,943	-	12,481,943
	13,937,608	**7,013,508**	**-**	**20,951,116**
Liabilities				
Trade payables	(582,441)	(297,028)	-	(879,469)
Long term bank borrowings	-	(15,330,095)	-	(15,330,095)
	(582,441)	**(15,627,123)**	**-**	**(16,209,564)**
Net foreign currency position	13,355,167	(8,613,615)	-	4,741,552

NOTE 30 - GOVERNMENT GRANTS

The Company does not have government grants at 31 March 2007 (31 December 2006: None).

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2006, the Company has letter of guarantee in the amount of YTL3,609,733 (31 December 2006: YTL3,108,181), and collaterals from banks in the amount of YTL476,438 (31 December 2006: YTL 478,718), given to customs offices and domestic/foreign vendors.

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. .

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 32– BUSINESS COMBINATIONS

None.

NOTE 33– SEGMENT REPORTING

None (31 December 2006: None).

NOTE 34– SUBSEQUENT EVENTS

None.

NOTE 35– DISCONTINUED OPERATIONS

The Company has no discontinuing operations as of 31 March 2007 (31 December 2006: None).

NOTE 36 - OPERATING INCOME

	31 March 2007	31 March 2006
Domestic sales	43,866,057	34,955,398
Foreign sales	10,759,186	9,297,721
Other	11,382	293,083
Gross sales	**54,616,264**	**44,546,202**
Less: Discounts and sales returns	(3,056,442)	(1,636,631)
Net sales	**51,559,822**	**42,909,571**
Cost of sales(-)	(32,634,670)	(28,217,434)
Gross operating profit	**18,925,152**	**14,692,137**

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 37 - OPERATING EXPENSES

	31 March 2007	31 March 2006
Marketing, selling expenses		
Transportation insurance expenses	1,990,581	1,937,551
Personnel expenses	1,133,647	1,095,843
License expenses	510,211	395,544
Advertisement expenses	494,805	425,176
Sales commissions	290,234	183,576
Agency and service expense	222,769	434,451
Storage expenses	186,236	171,891
Guarantee expenses	130,183	83,617
Exhibition and fair expenses	92,550	95,355
Others	169,432	148,659
	5,220,648	**4,971,663**
General administrative expenses		
Personnel expenses	1,033,291	1,042,411
Provision for employment termination benefits (Note 23)	238,604	428,830
Transportation expenses	206,406	200,141
Provision expense for unused annual vacation	123,079	-
Audit expenses	111,687	47,474
Rent expenses	80,463	93,313
Depreciation and amortization (Notes 19 and 20)	70,984	116,426
Repair, maintenance and energy expenses	62,323	61,133
Travel expenses	58,122	122,457
Telecommunication expenses	39,626	46,740
Insurance expenses	29,312	48,132
Duties, taxes and levies	29,227	42,764
Membership fees	23,994	33,349
Litigation expenses	18,176	32,796
Representation expenses	8,227	95,873
Donations	486	100,704
Other	103,444	470,766
	2,237,451	**2,983,309**
Operating expenses	**7,458,099**	**7,954,972**

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOT 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

	31 March 2007	31 March 2006
Other income		
Interest on bank deposits	1,974,120	353,795
Foreign exchange gain	646,034	398,924
Finance income from credit sales	375,091	451,715
Other	180,803	103,549
	3,176,048	**1,307,983**
Other expense		
Foreign exchange loss	(910,551)	(458,575)
Loss from sale of property, plant and equipment	(882,028)	-
Expenses belonging to idle capacity(*)	(743,962)	-
Others	(119,079)	(200,993)
	(2,625,619)	**(659,568)**

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

NOTE 39 - FINANCIAL EXPENSES

	2007	2006
Financial interest and foreign exchange losses	(27,941)	(93,612)
31 March	**(27,941)**	**(93,612)**

NOTE 40– NET MONETARY POSITION PROFIT/LOSSES

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 Consequently, there is no monetary gain / loss.

NOTE 41 - TAXES ON INCOME

	31 March 2007	31 December 2006
Corporation and income taxes payable (Note 23)	2,274,448	2,392,411
Deferred tax liabilities (Note 14)	2,819,952	2,492,197
Total tax liabilities	**5,094,400**	**4,884,608**

NOTE 41 - TAXES ON INCOME(Continued)

The Corporate Tax Law was amended by Law No.5520 dated 13 June 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, has come into force effective from 1 January 2006. Corporation tax is payable at a rate of 20% (2005: 30%) on the total income of the Company and its Subsidiaries registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilized within the scope of the Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No.5024 “Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law” published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (SIS WPI increase rate). Since these conditions in question were not fulfilled in 2005 and 2006, no inflation adjustments were performed.

There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends.
In tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years’ profits.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those concerning the Company are explained as follows:

Dividend income from participation in shares of capital of another full fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

According to the article 5 of New Corporate Tax Law No. 5520 (effective from 21 June 2006), 75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it ust not be withdrawn from the entity for a period of 5 years. The proceeds from the sale transaction has to be collected up until the end of the second calendar year following the year the sale was realized.

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 41 - TAXES ON INCOME (Continued)

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate can not benefit from this exemption.

The investment allowance application which had been in force for a significant period of time was abolished by Law No.5479 dated 30/3/2006. However, in accordance with the temporary article 69 of the Income Tax Law, income and corporate taxpayers can deduct the following amounts from their income related to the years 2006, 2007 and 2008 as well as the investment allowance amounts they could not offset against 2005 gains which were present as of 31 December 2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31 December 2005.

a) In the scope of the investment incentive certificates prepared related to the applications before 24/4/2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No.193, with Law No.4842.

b) In the scope of the abolished 19th article of Income Tax Law No.193, the investment allowance amounts to be calculated in accordance with the legislation in force at 31 December 2005 for investments which were started before 1 January 2006 and which display an economical and technical integrity.

Accordingly, gains with the above nature which are in the profit/loss figures are taken into consideration, in the calculation of corporate tax.

Apart from the abovementioned exceptions in the determination of the corporate tax base, allowances cited in the articles 8, 9 and 10 of Corporate Tax Law and article 40 of Income Tax Law are taken into consideration.

The taxes on income reflected to income statement for the period ended 31 March 2007 and 2006 are summarised as below:

	31 March 2007	31 March 2006
Deferred tax expense (Note 14)	(327,755)	26,373
Current year corporate tax (Note 23)	(2,274,448)	(2,234,372)
Total	**(2,602,203)**	**(2,207,999)**

NOTE 42 - EARNINGS PER SHARE

There was no difference between basic and diluted earnings per share.

	31 March 2007	31 March 2006
Net income	9,357,379	5,083,969
Weighted average number of ordinary shares in issue	2,453,414,335	2,453,414,335
Earnings per share (Each of 1 Ykr)	0.00381	0.00207

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

NOTE 43 - STATEMENTS OF CASH FLOWS

At 31 March 2007 and 2006, changes in "operating assets and liabilities" presented in statements of cash flows are as below:

	31 March 2007	31 March 2006
Increase in trade receivables	(427,436)	(1,572,490)
Increase/(decrease) in due from related companies	(240,830)	(522,965)
Increase in other receivables	(27,724)	(79,811)
Increase in inventories	(3,724,379)	(5,893,724)
Decrease/(increase) in other current assets	4,896,147	(2,540,163)
Decrease in trade payables	(2,792,881)	(1,217,517)
Increase/(decrease) in due to related parties	100,703	11,527,782
(Decrease)/increase in other liabilities	(335,328)	6,106,311
	(2,551,728)	**5.807.423**

NOTE 44 - DISCLOSURE OF OTHER MATTERS

A Share Transfer Agreement was signed on 5 September 2006 for the sale of 61.2% shares of Temel Ticaret ve Yatırım A.Ş. and Koç family members to St. Gobain Isover and Alamana Industries partnership in consideration of USD 171,.3 million, by considering the total Company value as USD 280 million. Share transfer will be realized after Competition Board's approval. According to the price adjustment mechanism in the contract, negative/positive difference between the shareholder's equities in the financial statements at 30 June 2006 and shareholders' equity in the financial statements as at the date of the share transfer , which are prepared in accordance with CMB Accounting Standards, will be paid by buyers or sellers in USD terms.

İzocam İzolasyon Ticaret A.Ş applied to the Capital Markets Board with a call to takeover 9,520,839.39 units of company shares, each with a nominal value of YTL1 amounting to a total nominal value of YTL9,520,839.39, which represents 38.8065% of İzocam's capital as at 13 December 2006. The call process ended on 19 February 2007 and with the shares collected through the call, the share of İzocam İzolasyon Ticaret A.Ş in İzocam became 86.30%.

Right of usufruct was established over the 187,309,862 shares owned by Koç Yapı Malzemeleri Ticaret A.Ş. ve Temel Ticaret ve Yatırım A.Ş corresponding to 7,6347% of the capital of İzocam with the usufruct contract dated 29 November 2006, and these shares will be transferred to İzocam İzolasyon Ticaret A.Ş on 10 July 2007.