

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

**FINANCIAL STATEMENTS RELATED TO INTERIM PERIOD
AS OF 1 JANUARY-30 SEPTEMBER 2006**

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ
FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2006

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İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

BALANCE SHEETS

AS OF 30 SEPTEMBER 2006 AND 31 DECEMBER 2005

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

	Notes	30 September 2006	31 December 2005
ASSETS			
Current Assets		147.120.627	83.925.834
Liquid Assets	4	12.867.795	15.969.529
Securities (net)	5	-	-
Trade Receivables (net)	7	54.394.196	36.873.233
Leasing Instruments (net)	8	-	-
Receivables from Related Parties (net)	9	56.656.143	7.755.119
Other Receivables (net)	10	68.297	152.431
Live Assets (net)	11	-	-
Inventories	12	18.497.504	16.171.377
Receivables from Construction Contracts in Progress (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	4.636.692	7.004.145
Fixed Assets		53.802.466	90.704.360
Trade Receivables - net	7	3.642	3.642
Leasing Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets	16	-	36.481.509
Positive/Negative Goodwill (net)	17	-	-
Immovables for Investment Purpose (net)	18	-	-
Tangible Assets (net)	19	53.671.041	54.007.106
Intangible Assets (net)	20	127.783	212.103
Deferred Tax Assets	14	-	-
Other Fixed Assets	15	-	-
		200.923.093	174.630.194

The accompanying notes form an integral part of the financial statements

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

BALANCE SHEETS

AS OF 30 SEPTEMBER 2006 AND 31 DECEMBER 2005

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

	Notes	30 September 2006	31 December 2005
LIABILITIES			
Short-Term Liabilities		31.416.647	32.560.827
Financial Debts	6	-	-
Short-Term Parts of Long Term Financial Debts (net)	6	3.333.801	2.651.426
Debts from Leasing Transactions (net)	8	-	-
Other Financial Liabilities (net)	10	2.735.162	1.899.716
Trade Debts	7	14.659.338	15.587.566
Debts to Related Parts	9	1.923.592	2.003.237
Advances Received	21	-	-
Progress Payments from Construction Contracts in Progress	13	-	-
Provisions for Debts	23	7.847.418	8.865.391
Deferred Tax Liabilities	14	-	-
Other Liabilities	15	917.336	1.553.491
Long-Term Liabilities		19.292.440	13.553.118
Financial Debts (net)	6	12.250.744	5.222.875
Debts from Leasing Transactions (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Debts (net)	7	-	-
Debts to Related Parts (net)	9	-	-
Advances Received	21	-	-
Provisions for Debts	23	4.507.108	4.261.525
Deferred Tax Liabilities	14	2.534.588	4.068.718
Other Financial Liabilities (net)	10	-	-
SHARES OUTSIDE OF PRINCIPAL SHAREHOLDING	24	-	-
EQUITY		150.214.006	128.516.249
Capital	25	24.534.143	24.534.143
Mutual Adjustment of Joint Venture Capital	25	-	-
Capital Reserves	26	48.226.041	67.597.750
Share Premium		1.092	1.092
Profits from Stock Cancellation		-	-
Revaluation Fund		-	-
Financial Assets Appreciation Fund		-	19.371.709
Equity Capital Inflation Correction Differences	25	48.224.949	48.224.949
Profit Reserves	27	25.133.995	15.891.860
Legal Reserves		6.404.304	4.311.006
Statutory Reserves		-	-
Extraordinary Reserves		18.729.645	11.580.808
Special Reserves		46	46
Capital Increase by Addition of Stock and Proceeds from Sales of Real Estate		-	-
Foreign Currency Converting Differences		-	-
Net Profit of the Period		52.109.831	20.282.500
Profits of Previous Years	28	209.996	209.996
Total Equity Capital and Liabilities		200.923.093	174.630.194
Commitments and Contingent Liabilities	31		

Financial statements prepared as of September 30, 2006 and the nine-month interim period then ending have been approved by the Board of Directors on October 31, 2006.

The accompanying notes form an integral part of the financial statements

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

STATEMENTS OF INCOME FOR NINE-MONTH THE INTERIM PERIOD ENDED ON 30 SEPTEMBER

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

	Notes	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
MAIN OPERATING INCOMES					
Sales Incomes (net)	36	172.303.473	68.718.371	139.564.418	50.596.555
Cost of Goods Sold (-)	36	(114.385.735)	(45.498.593)	(99.009.603)	(35.165.640)
Service Incomes (net)	36	-	-	-	-
Other Incomes from Main Operations	36	-	-	-	-
GROSS MAIN OPERATING PROFIT					
		57.917.738	23.219.778	40.554.815	15.430.915
Operating Expenses (-)	37	(24.836.017)	(8.919.842)	(22.319.547)	(8.298.454)
NET MAIN OPERATING PROFIT					
		33.081.721	14.299.936	18.235.268	7.132.461
Incomes and Profits from Other Operations	38	30.270.301	26.113.531	6.165.903	1.301.635
Expenses and Losses from Other Operations (-)	38	(4.502.721)	(729.945)	(4.358.475)	(769.294)
Financial Expenses (net) (-)	39	(826.452)	(475.489)	(347.159)	(103.995)
OPERATING PROFIT					
		58.022.849	39.208.033	19.695.537	7.560.807
Profit/Loss on Net Monetary Position	40	-	-	-	-
PROFIT/LOSS OUTSIDE OF PRINCIPAL SHAREHOLDING					
	24	-	-	-	-
PROFIT BEFORE TAX					
		58.022.849	39.208.033	19.695.537	7.560.807
Taxes	41	(5.913.018)	(3.492.226)	(5.666.706)	(2.157.276)
NET PROFIT OF THE PERIOD					
		52.109.831	35.715.807	14.028.831	5.403.531
PROFIT PER SHARE - Ykr					
	42	2,124	1,456	0,572	0,220

The accompanying notes form an integral part of the financial statements

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

STATEMENT OF STOCKHOLDERS' EQUITY FOR THE INTERIM PERIOD ENDED ON 30 SEPTEMBER

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

	Capital	Issuance premium	Equity inflation correction differences	Financial assets appreciation fund	Legal reserves	Extraordinary reserves	Special reserves	Net profit of the period	Profit of previous years	Total equity
Balances as of 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
Transfer to reserves	-	-	-	-	2.093.298	18.189.202	-	(20.282.500)	-	-
Dividends distributed	-	-	-	-	-	(11.040.365)	-	-	-	(11.040.365)
Appreciation of financial assets	-	-	-	3.652.456	-	-	-	-	-	3.652.456
Sale of financial assets	-	-	-	(23.024.165)	-	-	-	-	-	(23.024.165)
Net profit of the period	-	-	-	-	-	-	-	52.109.831	-	52.109.831
Balances as of 30 September 2006	24.534.143	1.092	48.224.949	-	6.404.304	18.729.645	46	52.109.831	209.996	150.214.006

	Capital	Issuance premium	Equity inflation correction differences	Financial assets appreciation fund	Legal reserves	Extraordinary reserves	Special reserves	Net profit of the period	Profit of previous years	Total equity
Balances as of 1 January 2005	24.534.143	1.092	50.024.796	-	3.069.045	6.370.115	46	12.335.449	4.217.137	100.551.823
Accounting policy change	-	-	-	3.664.783	-	-	-	-	(3.664.783)	-
Balances as of 1 January 2005 - adjusted	24.534.143	1.092	50.024.796	3.664.783	3.069.045	6.370.115	46	12.335.449	552.354	100.551.823
Transfer to reserves	-	-	(1.799.847)	-	1.241.961	13.235.693	-	(12.335.449)	(342.358)	-
Dividends distributed	-	-	-	-	-	(8.025.000)	-	-	-	(8.025.000)
Net profit of the period	-	-	-	-	-	-	-	14.028.831	-	14.028.831
Balances as of 30 September 2005	24.534.143	1.092	48.224.949	3.664.783	4.311.006	11.580.808	46	14.028.831	209.996	106.555.654

The accompanying notes form an integral part of the financial statements

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 1 – ORGANIZATION AND FIELDS OF ACTIVITY

İzocam Ticaret ve Sanayi Anonim Şirketi ("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 non-insulated roof and front panels, partition and mezzanine). The Company is a member of the Koç Group of companies, controlled by Koç Holding A.Ş. and members of Koç Family.

The Company conducts a portion of its business with the Koç Group of companies. The Company has relations with parties having both customer and procurement agent status (Note 9). The Company is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been quoted on the Istanbul Stock Exchange since 15 April 1981. As of 30 June 2006, 38.80% of the total shares are quoted on the Istanbul Stock Exchange.

Total staff of 476 consisting of an average 228 white collar and 248 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

The company has no affiliated partnerships as of 30 September 2006.

Subsidiaries and basic fields of activities as of 30 June 2006:

<u>Tradename</u>	<u>Country</u>	<u>Fields of Activity</u>
Izodutch B.V.	The Netherlands	Manufacture and trading of insulation material
İzocam LLC	Russia	Manufacture and trading of insulation material

Established on 23 December 2005 for manufacture and trading of insulation material with 100% capital participation of İzocam, İzodutch B.V. has not started operating yet as of 30 June 2006.

Established on 3 March 2006 for manufacture and trading of insulation material with 99 % capital participation of İzodutch B.V. and 1 % of İzocam, İzocam LLC has not started operating yet as of 30 June 2006.

Said subsidiaries were sold from affiliated companies to Arçelik A.Ş. as of 29 September 2006 (Note 16).

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Applicable Accounting Standards

The Company's financial statements were prepared in line with accounting and reporting standards (Capital Market Board Accounting Standards) published by the Capital Market Board (SPK). SPK has published a set of comprehensive accounting principles in its "Capital Markets Accounting Standards" ("Communiqué") Series XI, No: 25 published on November 15, 2003. The Communiqué states that the implementation of International Financial Reporting Standards published by the International Accounting Standards Council ("IASB") will also be deemed as compliant with SPK accounting standards.

In line with the decision it passed on March 17, 2005, SPK announced that for companies operating in Turkey, preparing financial statements in conformance with SPK Accounting Standards there will be no need to implement inflation accounting from January 1, 2005. Therefore, the "Financial Reporting for High Inflation Economies" Standard No: 29 ("UMS 29") published by IASB has not been applied to financial statements as of January 1, 2005. Financial statements and relevant footnotes have been prepared in conformance with compulsory formats imposed by the SPK announcement dated December 20, 2004 within the framework of alternative practices approved by SPK as stated above.

Financial statements have been prepared in New Turkish Lira currency on historical-cost basis apart from financial assets and liabilities which are listed by their reasonable values.

2.2 Correction of Financial Tables in High Inflation Periods

In line with the resolution it passed on March 17, 2005, the SPK announced with effect as of January 1, 2005 that for companies which are operating in Turkey and preparing financial statements in conformance with SPK Accounting Standards, there is no need to implement inflation accounting.

UMS 29 stipulates the preparation of financial statements on the basis of the respective currency of the high inflation economy based on the purchasing power of the currency as of the date of the balance sheet and adjustment of financial statements of the previous period for comparison purposes by using the same value criteria. Correction has been made by using the revaluation quotient of the Wholesale Goods Price Index ("TEFE") announced by the State Statistics Institute ("DİE") with nationwide effect. Indexes and revaluation quotients used for correction of financial statements prepared until December 31, 2004 are as given below.

<u>Dates</u>	<u>Index</u>	<u>Correction factors</u>	<u>Cumulative three-year inflation rate %</u>
31 December 2004	8.403,8	1,000	69,7
31 December 2003	7.382,1	1,138	181,1
31 December 2002	6.478,8	1,297	227,3

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

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

2.3 Comparative Data

Comparative data will be reclassified if deemed necessary with a view to achieve conformance with the presentation of current financial tables and any important divergences will be announced.

2.4 Netting-down/Set-off

Financial assets and liabilities will appear as net amounts of requisite legal rights, intended net assessment of said assets and liabilities or consecutive sequence of acquisition of assets and fulfillment of liabilities.

NOTE 3-EVALUATION PRINCIPLES / ACCOUNTING POLICIES IMPLEMENTED

Key accounting policies adhered to with respect to the preparation of financial statements are summarized below.

3.1 Turnover

Sales will be recorded in line with the accrual principle, by the current or prospective reasonable value subsequent to delivery of goods or supply of service, transfer of risk and proceeds from products, reliable determinability of proceeds and potential flow of economic proceeds from the respective transaction to the Company. Interest income will be accrued by the Time Segment Principle, whereas income will be determined by taking into account the current interest rates and the interest rate effective throughout the respective period until due date. Net sales represent the invoiced sum of (invoiced) goods (purified by) subtraction of sales returns. Insofar as sales are burdened with major financing costs, the reasonable value will be determined by reducing collectible outstandings by using a hidden interest rate incorporated into financing costs. The difference between real value and nominal value will be assessed as interest income under the Difference Accrual Principle (Note 36).

3.2 Inventories

Inventories will be evaluated by cost or net realizable value, whichever is lower. The cost of stocks encompasses overall purchasing costs, conversion costs and other outlay made to reevaluate stocks considering their current order and position. Unit cost of stocks will be determined by the Monthly Variable Weighted Average method. The net realizable value is the amount determined in due course by reduction of total estimated sales cost needed for estimated ultimate final cost and sales proceeds from the estimated sales price (to be realized) from the estimated sales price (Note 12).

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 3-EVALUATION PRINCIPLES/ACCOUNTING POLICIES IMPLEMENTED (continued)

3.3 Tangible Assets

Tangible fixed assets are presented as net value after subtraction of accumulated depreciation from acquisition cost (Note 19). Depreciation is split up by using the Linear Depreciation method by taking into account the useful life span with respect to corrected values of tangible fixed assets. The Company changed estimated useful life of its tangible fixed assets in June 2006 to take effect as of 1 January 2006. In consequence of this change, depreciation expenses set aside for the current period as of 30 September 2006 was decreased by YTL 22.083. Estimated useful life span of said assets is as stated below:

	30 September 2006	31 December 2005
Buildings, infrastructure and superstructure	30-40 years	25-40 years
Machinery, plant and equipment	5-10 years	5-10 years
Vehicles	4 years	4 years
Fixtures	4-8 years	4-6 years

No depreciation set aside for lands and estates due to their infinite lifespan.

If the registered value of assets exceeds their retrievable value, the registered value will be reduced to the retrievable value.

Income and loss proceeds from disposal of tangible fixed assets will be determined by comparison of adjusted sums with collected sums and reflected accordingly in income and expenditure accounts of the current period.

3.4 Intangible Assets

Intangible fixed assets encompass acquired rights, information systems and computer software. They will be posted by their acquisition cost and subjected to depreciation using the Linear Depreciation method based on their estimated useful lifespan between the third and tenth year from the date of acquisition. In case of depreciation, the registered value of intangible fixed assets will be reduced to their retrievable value (Note 20).

3.5 Depreciation of Assets

The Company will assess whether or not there is any indicator on depreciation of any assets on the respective balance date. If such an indicator exists, forecast will have to be prepared for the retrievable value of respective assets. In the case of redundant intangible fixed assets, retrievable values will be forecast on the respective balance date. If the registered value of said assets or any unit generating cash (belonging) to such assets exceeds the sum of retrievable values from their utilization or sales this is a sign of depreciation. Accounting entries of losses from depreciation will be posted in the income statement.

If losses from depreciation of assets are correlated to events taking place during periods following the posting of depreciation entries subsequent to an increase in the retrievable value of assets, a depreciation reserve may be set aside up to the respective amount.

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 3-EVALUATION PRINCIPLES/ACCOUNTING POLICIES IMPLEMENTED (continued)

3.6 Commercial Receivables

Commercial receivables from Company sourced term sales on direct procurement of goods or services to debtors are assessed by reduction costs using the Effective Interest method. Short term trade receivables without specific interest rate thereon are assessed on the basis of the invoice amount insofar as the impact of accrued interest is negligible.

If there is evidence that the Company may not be able to collect outstanding amounts, a depreciation reserve will be set up for commercial receivables. The amount of said reserve will consist of the difference between the registered value of receivables and the collectible amount. The collectible amount is the discount value of all cash flows based on the original effective interest rate applicable to trade receivables including the collectible sums of collateral and guarantees.

The depreciation sum will be reflected onto other current income with a view to potential decrease after the loss entry (date).

The Company allocated reserves for all receivables passed on to jurisdiction. Exchange differences sourced to foreign exchange denominated receivables were included in reserves and equally reflected onto exchange difference income.

3.7 Borrowing Costs

Bank credits will be posted by their final value in the post of subtraction of loan transaction fees charged on the loan extension date. Bank credits will be presented by discount cost value using the Effective Interest method retrospectively. The difference between the sum calculated after subtraction of transaction fees and discount cost value will be reflected in the income statement as financing cost throughout the credit term. Financing cost sourced to credits except those to be capitalized will be reflected in the income as of the date of accrual (Note 39). Borrowing cost relating to acquisition, construction or production of a special asset will be added onto the cost of such special asset.

3.8 Financial Instruments and Financial Risk Management

Credit risk

Availability of financial instruments carries the risk of the opposite party not fulfilling its obligations under the agreement. Company management will cover such risk by limiting the average risk for the opposite contractual party (excluding related parties) and securing collateral whenever deemed necessary.

Funding risk

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of 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 liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities..

Foreign Exchange risk

The Company is liable to foreign exchange risk arising from exchange rate fluctuations due to conversion of foreign exchange denominated outstandings into YTL or payable sums. Said foreign exchange rate risk is monitored by daily analysis of the foreign exchange position to achieve (one by one) control and balance.

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 3-EVALUATION PRINCIPLES/ACCOUNTING POLICIES IMPLEMENTED (continued)

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 can realize in a current market exchange.

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

Monetary assets

Foreign exchange denominated balances are evaluated by the Central Bank foreign exchange buying rate at the end of the period.

Specific financial assets including cash and cash values will be evaluated by the foreign exchange buying rate of the Central Bank.

Likewise, registered values of trade receivables are evaluated by the foreign exchange buying rate of the Central Bank at the end of the period.

The Company has applied discounted cash flows and comparable transactions/companies methods in assessing the fair values of available for sale financial assets.

Monetary liabilities

The fair values of bank loans 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.

Long-term loans, which are denominated in foreign currencies, are converted at year-end exchange rates and accordingly their fair values approximate their carrying values.

3.9 Impact of Exchange Rate Difference

Foreign exchange denominated transactions are converted into YTL by the foreign exchange rate effective on the date of the transaction. Monetary assets and liabilities based on foreign currencies included in the balance are converted into YTL by using foreign exchange rates on the balance sheet date. Exchange rate differences arising as the result of such transactions were taken into account to determine the period's profit. Non-monetary assets and liabilities based on foreign currencies are presented by reasonable values and will be converted into YTL by the foreign exchange rate effective on the respective date (on which reasonable values are determined).

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 3-EVALUATION PRINCIPLES/ACCOUNTING POLICIES IMPLEMENTED (continued)

3.10 Earnings per Share

Earnings per share disclosed in these statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the year 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, such Bonus Share issuances are regarded as issued shares.

Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

3.11 Post-Balance Sheet Date Events

Insofar as post-balance sheet date events occurred after profit (related) announcements or declarations of other selected financial data to the public they have to comprise all events between the balance sheet date and the date of authorization to publish the balance sheet.

The Company will make update revisions to sums included in financial statements if events take place which necessitate post-balance sheet date corrections.

3.12 Reserves, Conditional Obligations and Conditional Assets

Reserves will be set aside whenever a legal or forceful obligation is imposed on the Company due to past events and potential future outlay to fulfill such obligations as well as reliable estimates on payable amounts.

Assets sourced to past events and assets/obligations which are not fully controlled by the operation and confirmable through the (none) realization of one or several events were not included in the financial statements and assessed as conditional obligations and assets (Note 31).

3.13 Revisions and Errors to Accounting Policies, Accounting Estimates

There may be cases necessitating major revisions to accounting policies and major accounting errors determined to be implemented retrospectively and revaluation of historical financial tables (from the previous period). Insofar as repetition, revision etc are confined to single period, revision of accounting estimates will be limited to the respective period to be revised, whereas these are required to cover both the current and prospective periods in case of future implementation. The Company changed estimated useful life of its tangible assets in June 2006 to take effect as of 1 January 2006. In consequence of this change, depreciation expenses set aside for the current period as of 30 September 2006 was decreased by YTL 22.083 (Note 3.3).

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 and associated companies are considered and referred to as related parties (Note 9). A number of transactions are entered into with related parties in the normal course of business.

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 3-EVALUATION PRINCIPLES/ACCOUNTING POLICIES IMPLEMENTED (continued)

3.15 Construction Contracts

A construction contract may be defined as a contract negotiated with respect to the construction of an assets group or assets which construction design, technological characteristics, final purpose and utilization are closely related or interrelated. If the results of a construction contract are unlikely to allow for a reliable forecast, contractual revenues will be accrued so as to offset contractual costs.

If a reliable estimate may be prepared for the results of a construction contract, contractual revenues and costs will be accrued by using a completion percentage. The completion phase will be measured on the basis of the relation of contractual outlays completed to date with total estimated contractual costs. If it is highly probable that total contractual cost will exceed total contractual revenues, prospective losses should be accrued immediately. Contractual expenditures accrued in a specific period related to future activities will be presented as current construction activity which is excluded from the expenditures of the respective period. Total expenditures and profit/loss accrued under each contract will be compared with progress invoicing at the end of the period. Such invoicing will be eliminated from accrued profit/(loss) if the calculated total is less than the sum of total expenditures presented as receivables from clients in the balance sheet.

3.16 Public Incentives and Supports

All public incentives comprising non-monetary public incentives which are followed under the Company's reasonable values will be included in financial statements conditional upon a reasonable guarantee that set requisites will be fulfilled by the Company and incentives secured by the operation.

Even if public incentives are secured in cash or by way of reduction of liabilities to the government they will be presented in the same way in financial statements.

3.17 Taxes Calculated by Corporate Income

Income tax obligation on profit and loss in the respective period comprises current taxes and deferred taxes. Current tax liabilities contain revised postings related to tax liabilities calculated on the part of current period profits subject to taxation and tax obligations calculated by tax rates effective on the balance sheet date as well as past tax obligations (Note 41).

3.18 Deferred Taxes

Deferred taxes will be calculated by using the Liability method based on interim differences between the entry values of assets and liabilities in financial statements and tax values. For the calculation of deferred taxes, currently realized tax rates as of the balance sheet date will be used in conformance with tax legislation in force.

Whereas calculation of deferred tax obligations is prepared for overall taxable provisional differences, deferred tax assets from deductible provisional differences will be calculated by taking into account the strong probability of gaining prospective profits which will be subject to tax.

Deferred tax assets and deferred tax liabilities will be mutually set off provided that these are governed by the same country's legislation which affords a legally applicable right on the subtraction of current tax assets from current tax obligations (Note 14).

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NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 3-EVALUATION PRINCIPLES/ACCOUNTING POLICIES IMPLEMENTED (continued)

3.19 Employee Benefits/Seniority Compensation

According to the law in force, the Company is obliged to make lump sum payment to employees who resign due to retirement or cease to be employed for reasons other than the acts set forth in the Labor Law. Reserves spared for seniority compensation were calculated by the current net value of prospective liability amounts due at the date of retirement of all employees (Note 23).

3.20 Liquid Assets

Cash and cash values will be reflected in the balance sheet using their cost value. Cash and cash values comprise available cash, bank deposits as well as investment of specific sums which may be easily converted into cash, short term, high liquidity, carrying no conversion risk except for value-inherent exchange rate differences with a 3 month or lesser term thereon (Note 4).

3.21 Share Capital and Dividends

Ordinary shares are classified as equity (Note 25). Dividends on ordinary shares are recognized in equity in the period in which are declared. Share premium represents the difference between the nominal value and the sales amount of the shares issued.

3.22 Financial assets ready for sale

Financial instruments which are set aside for coverage of the liquidity requirements of Company management or sale due to exchange rate fluctuations without setting specific periods are classified as financial assets ready for sale. These will be presented as fixer assets insofar as the management has no intention to retain financial instruments for a period of less than 12 months following the balance sheet date or no need for selling with the objective to increase operational capital, otherwise they will be classified as rotating assets. The Company management will regularly review the classification to be properly made at the date of purchasing of such financial instruments.

All financial investments will be presented by their cost values including the investment related initial reasonable value and acquisition costs.

Insofar as financial instruments of which the Company owns less than 20% capital share have no reasonable value registered with the stock market, estimate of reasonable value cannot be made because other proper calculation methods used for reasonable value are not available or operable, thus rendering it impossible to reliably appraise reasonable value, therefore the registered value of financial assets will be appraised by subtraction of depreciation reserves, if any, from the registered value acquisition cost of financial assets. Accounting entries of non-realized profits or losses sourced to reasonable fluctuations of financial assets ready for sale will be posted directly within the equity item without setting up correlation with the results of respective periods these assets until extracting from financial statements (Note 16).

3.23 Cash Flow Statement

Cash and cash values for preparation of cash flow statements comprise available cash, bank deposits and credits with less than six months remaining until due date, predetermined sales price and term, directly extended to banks within the frame of reverse repurchasing contracts.

Cash and cash values included in the cash flow statement as of 30 September;

	2006	2005
Cash and banks (Note 4)	12.867.795	12.857.258
Less: interest accrued	(10.440)	(38.101)
Cash and cash values (Note 43)	12.857.355	12.819.157

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NOTES TO FINANCIAL STATEMENTS FOR THE INTERIM PERIOD NINE-MONTH ENDED ON 30 SEPTEMBER 2006

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

NOTE 4 – CURRENT ASSETS

	30 September 2006	31 December 2005
Bank		
- demand deposit	1.675.422	3.060.488
- time deposit	10.651.440	12.816.522
Cheques received	539.780	91.918
Other current assets	1.153	601
	12.867.795	15.969.529

Details of demand deposits;

	30 September 2006	31 December 2005
Euro	329.340	1.061.753
YTL	640.439	388.409
US\$	705.643	1.610.326
	1.675.422	3.060.488

Details of time deposits:

	30 September 2006	31 December 2005
YTL	10.651.440	11.467.112
US\$	-	1.349.410
	10.651.440	12.816.522

As of 30 September 2006 the time deposits are denominated in YTL with an interest rate of 17.75% - 18% (31 December 2005: time deposits are denominated in YTL and US Dollars with interest rates of 14,00%, 18,00% and 4,50%, respectively). As of 30 September 2006 and 31 December 2005 the maturities of time deposits are shorter than 1 month.

NOTE 5 - SECURITIES

Not available (31 December 2005: Not available).

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NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 6 – FINANCIAL DEBTS

Bank loans as of 30 September 2006 and 31 December 2005;

	Interest rate %		Original money		YTL	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Short-term financial debts:						
Short-term parts of						
Long-term financial debts– Euro	4,72%-5,47%	4,26% - 4,42%	1.757.963	1.670.190	3.333.801	2.651.426
Total short-term financial debts					3.333.801	2.651.426
Long-term financial debts:						
Long-term financial debts – Euro	4,72%-5,47%	4,26% - 4,42%	6.460.000	3.290.000	12.250.744	5.222.875
Total long-term financial debts					12.250.744	5.222.875

Payment plan of long-term bank loans as of 31 September 2006 is as follows:

	Original currency (Euro)	YTL equivalent
1 July 2007 – 30 September 2008	830.000	1.574.012
1 July 2008 – 30 September 2009	2.372.857	4.499.886
1 July 2009 and thereafter	3.257.143	6.176.846
	6.460.000	12.250.744

The Company has utilized a long-term loan of Euro 4 million provided by ABN Ambro Bank for investment purposes within the period. Pursuant to the loan agreement, the Company's financial debts and financial incomes to pre-tax profit ratio should be below 1.0 and financial debts to stockholders' equity ratio should be below 0.50.

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 7 – COMMERCIAL RECEIVABLES AND DEBTS

	30 September 2006	31 December 2005
Short-term commercial receivables:		
Commercial receivables	42.003.721	16.669.988
Notes receivable	7.099.350	13.930.500
Time cheques	5.163.475	5.917.779
Doubtful commercial receivables	1.023.539	2.293.489
Less: Provision of doubtful commercial receivables	(895.889)	(1.938.523)
	54.394.196	36.873.233
Long-term commercial receivables:		
Deposit and guarantees given	3.642	3.642
	3.642	3.642
Short-term commercial debts:		
Commercial debts	13.859.618	15.439.314
Deposit and guarantees received	21.594	6.000
Other	778.126	142.252
	14.659.338	15.587.566

NOTE 8 – LEASING RECEIVABLES AND DEBTS

Not available (31 December 2005: Not available).

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 9 – RECEIVABLES AND DEBTS FROM AND TO RELATED PARTIES

i) Receivables and debts from and to related parties as of 30 September 2006 and 31 December 2005:

	30 September 2006	31 December 2005
<u>Bank deposits:</u>		
Koçbank		
- Time deposits - YTL	2.352.298	5.380.000
- Demand deposits - YTL	147.495	37.083
- Demand deposits - Euro	103.699	25.515
- Demand deposits – US\$	522.951	243.627
	3.126.443	5.686.225
Yapı ve Kredi Bankası A.Ş.		
- Time deposits - YTL	2.438.377	4.000.000
- Demand deposits - YTL	90.563	81.916
- Time deposits – US\$	-	1.341.800
- Demand deposits – US\$	148.980	160.495
	2.677.920	5.584.211
<u>Receivables from related parties:</u>		
Koç Holding A.Ş. (*)	40.133.965	-
Arçelik A.Ş. (**)	9.940.900	3.221.268
Beko Elektronik A.Ş.	5.998.107	3.540.285
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	442.668
Koçtaş Yapı Marketleri A.Ş.	183.470	85.311
İzodutch B.V.	-	28.962
Arçelik LG A.Ş.	261.302	
Other	138.399	436.625
	56.656.143	7.755.119

(*) The receivable from the affiliated company consists of shares belonging to Koç Finansal Hizmetler A.Ş., Entek Elektrik Üretimi A.Ş. and Ram Dış Ticaret A.Ş. to Koç Holding A.Ş. sold for a value of YTL 40.133.965 (Note 16).

(**) Out of the total receivable balance from the affiliated company, YTL 2.214.805 accounts for the company's total shares sold in its shareholdings Izodutch B.V. and Izocam LLC to Arçelik A.Ş. (Note 16). The remainder balance is sourced to the sale of fixed assets and commercial relations with the affiliated company.

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 9 – RECEIVABLES AND DEBTS FROM AND TO RELATED PARTIES (continued)

	30 September 2006	31 December 2005
Debts to related parties:		
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	418.525	371.619
Ford Otomotiv Sanayi A.Ş.	263.997	-
Koç Statoil Gaz Toptan Satış A.Ş.	257.076	495.792
Beko Ticaret A.Ş.	252.835	446.390
Koç Holding A.Ş.	248.331	39.692
Palmira Turizm Ticaret A.Ş.	89.264	125.985
Ram Sigorta ve Aracılık Hizmetleri A.Ş.	65.886	23.466
Birmot Birleşik Motor Sanayi ve Ticaret A.Ş.	54.549	94.224
Akpa Day. Tük. LPG Akaryakıt Ürün. Paz. A.Ş.	29.019	97.615
Setur Servis Turistik A.Ş.	-	35.344
Aygaz A.Ş.	16.223	28.344
Other	227.887	244.766
	1.923.592	2.003.237

ii) Major sales to and major purchasings from related parties in the years ended on 30 September 2006 and 31 December 2005:

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
Goods sold:				
Arçelik A.Ş.	12.528.484	5.178.355	8.891.886	3.315.845
Beko Elektronik A.Ş.	6.975.541	2.436.045	5.866.463	954.509
Ark İnşaat San. Ve Tic. A.Ş.	1.481.947	422.833	762.254	470.477
Arçelik LG A.Ş.	511.939	361.777	-	-
Koçtaş Yapı Marketleri A.Ş.	304.140	143.043	162.372	57.795
Ford Otomotiv Sanayi A.Ş.	29.129	29.129	1.495.509	578.095
Aygaz A.Ş.	14.793	14.793	90.531	58.473
Other	149.102	60.129	359.772	222.096
	21.995.075	8.646.104	17.628.787	5.657.290

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NOTE 9 – RECEIVABLES AND DEBTS FROM AND TO RELATED PARTIES (continued)

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
<u>Goods and services purchased:</u>				
Koç Statoil Gaz Toptan Satış A.Ş.	3.134.565	825.924	1.338.742	980.713
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	2.861.446	1.013.129	2.628.228	952.510
Akpa Day. Tük. LPG Akaryakıt Ürün. Paz. A.Ş.	1.475.633	563.312	1.214.025	616.464
Beko Ticaret A.Ş.	1.195.435	718.220	602.308	313.445
Ram Sigorta ve Aracılık Hizmetleri A.Ş.	795.246	22.778	749.722	23.509
Koç Holding A.Ş.	725.483	245.483	481.874	357.988
Setur Servis Turistik A.Ş.	674.955	267.453	706.704	30.688
Palmira Turizm Ticaret A.Ş.	582.409	196.001	-	-
Aygaz A.Ş.	542.868	441.153	2.321.064	65.778
Otokoç A.Ş.	308.316	111.365	4.899	3.488
Opet Petrolcülük A.Ş.	200.499	67.711	185.207	73.142
Koç Net Haberleşme Teknolojileri ve İletişim Hizmetleri A.Ş.	144.821	55.831	126.085	39.217
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	74.760	30.325	100.098	12.946
Migros Türk T.A.Ş.	9.153	9.153	48.210	5.675
Bursa Gaz ve Tic. A.Ş.	-	-	549.887	-
Turyat Divan Oteli	-	-	247.696	24.286
Set Oto A.Ş.	-	-	198.833	60.584
Other	700.814	(66.442)	363.575	230.881
	13.426.403	4.501.396	11.867.157	3.791.314

iii) Other transactions concluded with related parties in interim periods ended on 30 June 2006 and 2005:

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
<u>Tangible fixed asset sold:</u>				
Arçelik A.Ş.	1.500.920	-	-	-
Beko Elektronik A.Ş.	1.529.600	-	-	-
	3.030.520	-	-	-

Total proceeds from sales of material fixed assets in the amount of YTL 605.788 to affiliated companies has been correlated correlated with the income table under the other operational income and profits item.

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NOTE 9 – RECEIVABLES AND DEBTS FROM AND TO RELATED PARTIES (continued)

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
<u>Financial asset sold:</u>				
Koç Holding A.Ş.	40.133.965	-	-	-
Arçelik A.Ş.	2.214.805	-	-	-
	42.348.770	-	-	-

Sales proceeds from the sale of financial assets to Koç Holding A.Ş. in the amount of YTL 23.024.165 has been correlated to the income table under the other operational income and profits item. No profit or loss was posted to Arçelik A.Ş. from the sale of financial assets.

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
<u>Interest income /(loss) - net:</u>				
Yapı ve Kredi Bankası A.Ş.	218.352	20.250	-	-
Koçbank A.Ş.	277.103	74.369	785.945	1.017.698
	495.455	94.619	785.945	1.017.698

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
<u>Dividends Paid:</u>				
Koç Holding A.Ş.	1.924.193	-	1.496.495	-
Temel Ticaret ve Yatırım A.Ş.	3.347.828	-	2.409.051	-
Other	548.803	-	323.827	-
	5.820.824	-	4.229.373	-

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
<u>Dividend Income:</u>				
Entek Elektrik Üretim A.Ş. -	-	-	108.562	-
			108.562	-

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NOTE 9 – RECEIVABLES AND DEBTS FROM AND TO RELATED PARTIES (continued)

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
<u>Donations:</u>				
Rahmi Koç Museum	20.127	-	12.700	-
Vehbi Koç Foundation	181.000	181.000	-	-
	201.127	181.000	12.700	-

Benefits to top management:

Total benefits accrued to top management by the Company in the nine month interim period ended on 30 September 2006 is YTL 589.298.

NOTE 10 – OTHER RECEIVABLES AND DEBTS

	30 September 2006	31 December 2005
Other receivables		
Business advances	49.607	41.727
Receivables from personnel	5.682	46.365
Other	13.008	64.339
	68.297	152.431
Other financial liabilities		
Tax and funds payable	1.991.270	1.198.856
Social insurance deductions payable	739.469	686.337
Other	4.423	14.523
	2.735.162	1.899.716

NOTE 11 – LIVE ASSETS

Not available (31 December 2005: Not available).

NOTE 12 - INVENTORIES

	30 September 2006	31 December 2005
Raw material and material	11.719.274	10.277.894
Goods	4.688.960	4.572.488
Commodities	1.553.564	602.344
Order advances given	535.706	306.388
Other inventories	-	412.263
	18.497.504	16.171.377

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

NOTE 13- RECEIVABLES AND PROGRESS PAYMENTS FROM CONSTRUCTION CONTRACTS IN PROGRESS

No construction contracts of the Company in progress are available as of 30 September 2006 and 31 December 2005.

NOTE 14- DEFERRED TAX ASSETS AND LIABILITIES

Deferred Taxes

The Company calculates deferred income tax assets and liabilities by taking into account the impact of provisional differences arising from variable appraisals under the Communiqués and the Tax Procedure Law with respect to balance items.

The percentage applicable to the calculation of deferred tax assets and liabilities using the liability method by prospective provisional differences is 20% (30% on 31 December 2006).

Breakdown of accumulated provisional differences under deferred tax assets and obligations as of 30 September 2006 and 31 December 2005 by using current tax rates is as follows:

	<u>Accumulated Provisional differences</u>		<u>Deferred tax assets/(liabilities)</u>	
	<u>30 Sept. 2006</u>	<u>31 Dec. 2005</u>	<u>30 Sept. 2006</u>	<u>31 Dec. 2005</u>
Provisions for severance pay	(3.853.154)	(3.607.571)	770.631	1.082.271
Provisions for annual leave not used	(653.954)	(653.954)	130.791	196.186
Provisions for doubtful receivables		-		-
Provisions for unaccrued interest income/(loss)	(199.130)	(100.780)	39.826	30.234
Net difference between book value and tax base of tangible and intangible fixed assets	17.379.177	17.924.695	(3.475.836)	(5.377.409)
Deferred tax liability			(2.534.588)	(4.068.718)

Movements of deferred tax liabilities is as follows:

	2006	2005
1 January	4.068.718	5.166.449
Receivables entry in current income statement (Note 41)	(1.534.130)	(791.475)
30 September	2.534.588	4.374.974

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

	30 September 2006	31 December 2005
Other current assets		
Taxes and funds prepaid (Note 41)	3.919.153	6.567.643
Future expenses	145.248	9.011
Income accruals	129.058	-
VAT of exported goods	99.626	170.498
Taxes and funds to be set off and refunded	28.088	116.911
Other	315.519	140.082
	4.636.692	7.004.145

Other non-current assets

Not available (31 December 2005: Not available).

	30 September 2006	31 December 2005
Other liabilities		
Debts to personnel	917.336	1.553.491
	917.336	1.553.491

NOTE 16 – FINANCIAL ASSETS

Available for sale sharing	30 September 2006		30 June 2006		31 December 2005	
	participation ratio	participation ratio	participation ratio	participation ratio	participation ratio	participation ratio
	YTL	%	YTL	%	YTL	%
Koç Finansal Hizmetler A.Ş.(*)	-	-	34.961.221	0,49%	31.308.765	0,49%
Entek (*)	-	-	4.166.394	1,81%	4.166.394	1,81%
Ram Dış Ticaret A.Ş. (*)	-	-	1.006.350	7,50%	1.006.350	7,50%
İzodutch B.V.	-	-	2.193.835	100%	-	-
İzocam LLC	-	-	20.970	1%	-	-
	-		42.348.770		36.481.509	

(*) Participation rates are calculated over the nominal value of shares. The Company evaluated its financial assets ready for sale over their reasonable values in financial statements periods ended on 30 December 2005 and 31 June 2006.

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NOTE 16 – FINANCIAL ASSETS (continued)

The company sold total shares held in its shareholdings Koç Finansal Hizmetler A.Ş., Entek Elektrik Üretimi A.Ş. and Ram Dış Ticaret A.Ş. at sales prices determined on the basis of fair and reasonable values included in the UFRS report dated 30 June 2006 and assessment reports prepared by DTT Kurumsal Finans Danışmanlık Hizmetleri A.Ş. as of 31 Ağustos 2006 to Koç Holding A.Ş. at values of YTL 34.961.221 for 1.220.762.476 shares in Koç Finansal Hizmetler A.Ş., YTL 4.166.394 for 35.796.000 shares in Entek Elektrik Üretimi A.Ş. and YTL 1.006.350 for 31.874.952 shares in Ram Dış Ticaret A.Ş. on the date of 29 September 2006.

The company effected following sale to Arçelik A.Ş. on the date of 29 September 2006 by sales prices determined on the basis of values quoted in the UFRS based report dated 30 June 2006; total stock held in Izodutch B.V. against YTL 2.193.835 and total stock held in Izocam LLC against YTL 20.970.

NOTE 17 – POSITIVE /NEGATIVE GOODWILL

Not available (31 December 2005: Not available).

NOTE 18 – IMMOVABLES FOR INVESTMENT PURPOSE

Not available (31 December 2005: Not available).

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 19 – TANGIBLE ASSETS

	Opening 1 January 2006	Entries	Exits	Transfers	Closing 30 September 2006
Cost					
Lands	715.231	-	-	-	715.231
Infrastructural and superstructural improvements	3.626.204	5.600	(79.028)	-	3.552.776
Buildings	30.092.641	23.000	(1.201.531)	-	28.914.110
Plant, machinery and equipment	142.694.785	219.507	(7.463.265)	298.934	135.749.961
Vehicles	655.579	111.440	(488.876)	-	278.143
Fixtures	8.851.022	-	(227.278)	104.128	8.727.872
Constructions in progress	207.222	2.382.362	-	1.077.324	3.666.908
Advances given	65.986	6.031.466	-	(1.480.386)	4.617.066
	186.908.670	8.773.375	(9.459.978)	-	186.222.067
Accumulated depreciation					
Infrastructural and superstructural improvements	(1.979.897)	(113.425)	24.556	-	(2.068.766)
Buildings	(14.953.682)	(749.080)	388.218	-	(15.314.544)
Plant, machinery and equipment	(107.526.653)	(5.034.281)	5.501.298	-	(107.059.636)
Vehicles	(539.922)	(69.421)	455.002	-	(154.341)
Fixtures	(7.901.410)	(247.805)	195.476	-	(7.953.739)
	(132.901.564)	(6.214.012)	6.564.550	-	(132.551.026)
Net book value	54.007.106				53.671.041

YTL 5.902.680 of current depreciation expenses is included in cost of goods sold and YTL 311.332 in general administrative expenses.

Amount of purchasing commitments arising from the purchasing agreements entered into with various suppliers by the Company in connection with its planned investments is YTL 27.030.943 (Euro 14.185.748) as of 30 September 2006.

The Company has re-adjusted the estimated useful life of its tangible fixed assets in June 2006 to take effect as of 1 January 2006. Therefore, amount of depreciation expenses set aside for the current period is reduced by YTL 22.083 as of 30 September 2006.

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NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 19 – TANGIBLE ASSETS (continued)

	Opening 1 January 2005	Entries	Exits	Transfers	Closing 30 September 2005
<u>Cost</u>					
Lands	415.231	300.000	-	-	715.231
Infrastructural and superstructural improvements	3.525.593	1.747	-	45.943	3.573.283
Buildings	29.450.929	-	-	-	29.450.929
Plant, machinery and equipment	140.977.926	51.874	(1.615.662)	1.141.150	140.555.288
Vehicles	1.076.445	-	(191.800)	-	884.645
Fixtures	8.630.782	45.491	(4.193)	16.834	8.688.914
Constructions in progress	4.228	1.514.219	-	(1.203.927)	314.520
	184.081.134	1.913.331	(1.811.655)	-	184.182.810
<u>Accumulated depreciation</u>					
Infrastructural and superstructural improvements	(1.834.375)	(108.136)	-	-	(1.942.511)
Buildings	(13.883.434)	(801.683)	-	-	(14.685.117)
Plant, machinery and equipment	(100.029.372)	(6.412.633)	630.244	-	(105.811.761)
Vehicles	(726.824)	(128.998)	153.935	-	(701.887)
Fixtures	(7.561.925)	(291.192)	2.687	-	(7.850.430)
	(124.035.930)	(7.742.642)	786.866	-	(130.991.706)
Net book value	60.045.204				53.191.104

YTL 7.268.887 as of current depreciation expenses is included in cost of goods sold and YTL 473.755 in general administrative expenses.

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NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 20 – INTANGIBLE ASSETS

	1 January 2006	Entries	Exits	Transfers	30 September 2006
Rights	885.413	14.764	0	0	900.177
Accumulated redemption	(673.310)	(99.084)	0	0	(772.394)
Net book value	212.103	(84.320)	0	0	127.783

	1 January 2005	Entries	Exits	Transfers	30 September 2005
30 September 2005					
Rights	843.398	29.321	-	-	872.719
Establishment and organization expenses	-	38.929	-	-	38.929
Accumulated redemption	(533.222)	(107.292)	-	-	(640.514)
Net book value	310.176	(39.042)	-	-	271.134

YTL 94.120 of current redemption (30 September 2005: YTL 99.671) is included in cost of goods sold and YTL 4.964 (30 September 2005: YTL 7.621) in general administrative expenses.

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 21 – ADVANCES RECEIVED

No advance is received for construction projects under way as of 30 June 2006.

NOTE 22- RETIREMENT PLANS

Note 23 – No retirement commitment agreement is available other than the severance pay item included in provisions for debts.

NOTE 23 – PROVISIONS FOR DEBTS

	30 September 2006	31 December 2005
Provisions of short-term debts		
Provision for profit of the period, tax and other legal liabilities (Note 41)	7.447.148	8.865.391
Provision for costs	400.270	-
	7.847.418	8.865.391

	30 September 2006	31 December 2005
Provisions for long-term debts		
Provisions for severance pay	3.853.154	3.607.571
Provisions for annual leave not used	653.954	653.954
	4.507.108	4.261.525

The provision for severance pay is allocated within the framework of below statements.

Under the Turkish Labor Law the Company is obliged to effect severance pay for its employees who have been employed at least one year in the Company, dismissed from the Company or retired, completed 25 years (20 for women) of service, entitled to retirement (age 58 for women, age 60 for men) or deceased. Certain transition-period articles pertaining to the pre-retirement period were abrogated after the legislative amendment on May 23, 2002.

Amount of severance pay is one month's salary for each year of service which amount has been limited to YTL 1.857,44 as of 30 September 2006 (31 December 2005: YTL 1.770,63).

The severance pay obligation is neither subject to any funding legally nor conditional upon funding provision.

The provision for severance pay is calculated by estimating current value of prospective payable obligations in case of employee's retirement.

The Communiqué stipulates development of actuary valuation methods for forecasts of the Company's provision for severance pay. Accordingly, following actuary assumptions were used for the calculation of total liability in this regard:

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 23 – PROVISIONS FOR DEBTS (continued)

	30 September 2006	31 December 2005
Discount ratio (%)	5.49	5.49
Circulation rate (%) pertaining to retirement probability	%98	%98

The basic assumption is that the upper limit set for each year of service will be increased proportionally with the inflation rate. Thus, the applicable discount rate purified from potential inflationary impact will yield the actual rate. The Company's provision for severance pay calculated as YTL 1.815,28 (1 January 2006: YTL 1.770,63) as of 1 July 2006 due to semi-annually adjustment of the severance pay upper limit.

Movements of the provision for severance pay in the respective period are as follows:

Movements of the provision for severance pay obligation in the periods ending on 30 September 2006 and 2005 are as follows:

	2006	2005
1 January	3.607.571	3.411.987
Increase within the period	981.819	545.492
Payments	(736.236)	(477.751)
30 September	3.853.154	3.479.728

NOTE 24 – SHARES OUTSIDE OF PRINCIPAL SHAREHOLDING/PROFIT OR LOSS OUTSIDE OF PRINCIPAL SHAREHOLDING

No profits or losses stated outside of the principal shareholding because the Company prepares non-consolidated financial statements.

NOTE 25 – CORRECTION OF CAPITAL/JOINT SHAREHOLDING CAPITAL

The Company's shareholders and prospective values of their capital shares on 30 September 2006 and 31 December 2005 are listed below:

Share holders	30 September 2006		31 December 2005	
	Amount	Pay %	Amount	Pay %
Temel Ticaret A.Ş.	7.906.285	32,23%	7.439.618	30,32%
Koç Holding A.Ş.	4.275.986	17,43%	4.275.986	17,43%
Other	12.351.872	50,34%	12.818.539	52,25%
	24.534.143	100,00%	24.534.143	100,00%
Capital adjustment	25.856.460		25.856.460	
Total capital paid	50.390.603		50.390.603	

The capital adjustment represents the impact of cash capital increase indexing in relation to purchasing power as of 31 December 2004.

There are 2.453.414.335 (31 December 2005: 2.453.414.335) shares each Ykr 1 (31 December 2005: Ykr 1) No privileges extended to any distinct shareholder group / shareholders.

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 26-27-28 – CAPITAL RESERVES, PROFIT RESERVES, LOSSES OF PREVIOUS YEARS

Distributing may be made of accumulated profits in ledgers outside of the scope of provisions pertaining to legal reserves as stated below.

Under the Turkish Trade Law, legal reserves are divided into two categories consisting of first and second category. The Turkish Trade law stipulates that first category legal reserves are allocated at the rate of 5% of legal net profits up to the threshold of 20% of the Company's paid-up capital, whereas the rate for profits exceeding 5% of paid-up capital will be 10% for second category legal reserves. Pursuant to the Turkish Commercial Code, legal reserves can be used only for netting down the losses not exceeding 50% of paid-up capital.

Companies open to the public will make distribution of dividends as dictated by SPK as follows:

Series: XI. The amount resulting from the equation process of the first financial statement which is inflation corrected as per article 399 of part 15 of the Communiqué no:25 and followed up under "previous year's losses" will be used as reduction item on which to base the calculation of distributable profit as per inflation corrected financial statements within the framework of SPK legislation pertaining to profit distribution. However, with regard to said amount followed up under "previous year's losses", current period's profit and non-distributed previous year's profits, if any, and insofar as there is a loss balance, in the sequence of extraordinary reserves, legal reserves will be deductible from capital reserves sourced to inflation correction of own capital items in line with inflation accounting.

Effective as of January 1, 2004 it will be compulsory to make profit distribution at the rate of minimum 30% of distributable profits by taking into account profits from activities in the year 2004 calculated on the basis of financial statements prepared as per Communiqué Series: I No:25. Distribution may be made according to resolution passed by the Company's general assemblies, in the form of cash or from distributable profits not to fall below 30%, as free Company shares or a specific amount of cash, specific portion of free shares.

Series: XI. Under the Communiqué No:25, following preparation of the first inflation-corrected financial statements, the shareholders' equity items "Capital, Shares Issuance Premium, Legal Reserves, Status Reserves, Special Reserves and Extraordinary Reserves" will be included in the balance sheet using their registered values. The correction differences of said accounting items will be collectively posted under "own capital inflation correction differences" included in the own capital group.

The own capital inflation correction difference may be used in the elimination of free capital increase or losses; whereas registered values of extraordinary reserves may be used in the elimination of free capital increase, distribution of cash profits or losses.

At the Company's Ordinary General Assembly meeting held on 17 April 2006, it was decided to transfer the YTL 1.111.932 portion of the business profit amounting YTL 20.282.500 as reflected in the financial statement of the Company dated 31 December 2005 to first legal reserves, another YTL 8.130.203 portion to extraordinary reserves and to distribute to shareholders remaining YTL 11.040.365 portion as dividend in cash which represents the nominal value of extraordinary reserves of previous years.

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NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 26-27-28 CAPITAL RESERVES, PROFIT RESERVES, LOSS OF THE PREVIOUS PERIODS (continued)

In accordance with the above issue, the Company's stockholders' equity statement on which profit distribution will be based as per Communiqué Series: XI. No.25 as of 30 September 2006 and 31 December 2005 is as follows:

	30 September 2006	31 December 2005
Capital	24.534.143	24.534.143
Share premium	1.092	1.092
Financial assets appreciation fund	-	19.371.709
Legal reserves	6.404.304	4.311.006
Extraordinary reserves	18.729.645	11.580.808
Special reserves	46	46
Equity inflation correction differences	48.224.949	48.224.949
Net profit of the period	52.109.831	20.282.500
Profits of previous years	209.996	209.996
Total equity	150.214.006	128.516.249

The purchasing power-corrected values of items presented by above historical values as of the date of December 31, 2004 and stockholders' equity inflation correction differences as of 30 September 2006 and 31 December 2005 are as follows:

	30 September 2006		
	Historical assets	Equity inflation adjustment differences	Adjusted value
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	24.133.866
Extraordinary reserves	18.729.645	(1.496.872)	18.214.139
Special reserves	46	4.931.025	4.931.071
	49.669.230	48.224.949	97.894.179

	31 December 2005		
	Historical assets	Equity inflation adjustment differences	Adjusted value
Capital	24.534.143	25.856.460	50.390.603
Share premium	1.092	223.408	224.500
Legal reserves	4.311.006	18.710.928	23.021.934
Extraordinary reserves	11.580.808	(1.496.872)	10.083.936
Special reserves	46	4.931.025	4.931.071
	40.427.095	48.224.949	88.652.044

According to the Company's entries made in line with the Tax Procedure Law the historical values of extraordinary reserves are YTL 24.564.516 and YTL 15.459.541 respectively as of 30 September 2006 and 31 December 2005.

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NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 29 – FOREIGN CURRENCY POSITION

Historical values of the Company's foreign currency assets and debts available as of 30 September 2006 and 31 December 2005 are as follows:

	30 September 2006	31 December 2005
Assets	13.052.789	12.773.634
Liabilities	(16.355.550)	(8.910.433)
Net foreign currency position	(3.302.761)	3.863.201

YTL equivalents of foreign currencies

30 September 2006

	US\$	Euro	GBP	Total
Assets				
Current assets	705.643	329.340	-	1.034.983
Commercial receivables	7.948.018	4.069.788	-	12.017.806
	8.653.661	4.399.128	-	13.052.789
Debts				
Financial debts – short-term	-	3.333.801	-	3.333.801
Commercial debts	499.942	271.063	-	771.005
Financial debts – long-term		12.250.744		12.250.744
	499.942	15.855.608		16.355.550
Net foreign currency position	8.153.719	(11.456.480)		(3.302.761)

31 December 2005

Assets				
Liquid assets	2.959.736	1.061.753	-	4.021.489
Commercial receivables	6.326.431	2.425.714	-	8.752.145
	9.286.167	3.487.467	-	12.773.634
Liabilities				
Financial liabilities – short-term	-	2.651.426	-	2.651.426
Commercial liabilities	630.034	404.491	1.607	1.036.132
Financial liabilities – long-term	-	5.222.875	-	5.222.875
	630.034	8.278.792	1.607	8.910.433
Net foreign currency position	8.656.133	(4.791.325)	(1.607)	3.863.201

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

NOTE 30 – PUBLIC INCENTIVES AND SUPPORTS

The Company holds no incentive certificate as of 30 September 2006.

NOTE 31 - RESERVES, CONDITIONAL ASSETS AND LIABILITIES

The Company's guarantee letters and collateral bills from banks as of 30 September 2006 which are give to customs offices, local/foreign vendors and banks total up to YTL 2.232.238 (31 December 2005: YTL 3.415.142) and YTL 675.148 (31 December 2005: YTL 731.288), respectively.

NOTE 32 – OPERATIONAL MERGERS

It was decided in the Company's Extraordinary General Assembly Meeting held on 24 June 2005 to merge and liabilities of Tek-iz İzolasyon ve Yapı Elemanları Sanayii A.Ş. as a whole as of 31 December 2004 by way of taking over.

In the Company's Extraordinary General Assembly Meeting held on June 24, 2005 decision was passed based on the Permit dated 13 May 2005, numbered B.02.1.SPK.013-1109/11892 of the Capital Market Board, Permit dated 20 May 2005, numbered B.14.0.İTG.0.10.00.01.D/810) 3759 of the Ministry of Industry and Trade, Domestic Trade General Directorate, and approval dated 26 April 2005, numbered B.50.0. REK.0.05.00.00/337 of the Competition Board to merge current assets and liabilities of Tek-Iz as a whole as of December 31, 2004 through takeover by the Company within the framework of article 451 and other relevant provisions of the Turkish Commercial Code as well as provisions of articles 37 thru 39 of the Corporate Tax Law by confirming the merger with and merger agreement of above mentioned Company.

The Istanbul Trade Registry Office announced on 4 July 2005 with nr.6338 registration of the Company's Extraordinary General Assembly Resolution dated 24 June 2005 and Merger Agreement by promulgation in the Trade Registry Gazette dated June 30, 2005.

NOTE 33 – REPORTING BY DEPARTMENTS

Not available (31 December 2005: Not available).

NOTE 34 – EVENTS AFTER DATE OF BALANCE SHEET

Not available (31 December 2005: Not available).

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 35 – OPERATIONS STOPPED

No operations stopped as of the balance sheet date.

NOTE 36 – MAIN OPERATING INCOMES

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
Domestic sales	145.014.057	58.262.162	112.178.989	40.969.514
International sales	36.494.261	14.342.395	34.948.067	12.282.377
Other	76.341	20.734	58.582	13.937
Gross sales	181.584.659	72.625.291	147.185.638	53.265.828
Less: Returns from discounts and sales	(9.281.186)	(3.906.920)	(7.621.220)	(2.669.273)
Net sales	172.303.473	68.718.371	139.564.418	50.596.555
Cost of sales (-)	(114.385.735)	(45.498.593)	(99.009.603)	(35.165.640)
Gross main operating profit	57.917.738	23.219.778	40.554.815	15.430.915

NOTE 37 – OPERATING EXPENSES

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
Sale and marketing expenses				
Transport and insurance expenses	7.581.547	2.951.294	5.276.782	2.024.523
Personnel expenses	3.301.828	1.130.030	2.753.747	943.451
Advertising expenses	1.014.767	306.797	832.845	400.226
License expenses	1.267.429	378.614	1.053.567	282.061
Sale commissions	720.993	299.395	676.519	239.558
Storage expenses	634.056	234.552	477.285	169.842
Exhibition and fair expenses	255.600	85.200	316.901	79.825
Other	1.304.020	429.563	1.477.526	406.660
	16.080.240	5.815.445	12.865.172	4.546.146
General management expenses				
Personnel expenses	3.221.628	1.062.757	4.270.277	2.034.289
Severance pay expenses	981.819	400.033	545.492	153.725
Service expenses	725.483	245.483	603.064	227.968
Shuttle and travel expenses	633.519	217.021	439.439	130.152
Travel expenses	355.619	104.788	223.567	55.381
Depreciation and depletion	316.296	112.075	481.376	114.340
Donations and aids	303.312	101.604	231.888	77.186
Representation expenses	262.664	90.601	234.342	70.784
Telecommunication expenses	219.416	87.623	227.095	83.709
Repair, maintenance and energy expenses	206.735	58.226	251.138	77.254
Subscriptions	146.226	90.072	137.190	53.348
Legal follow up expenditures	123.455	49.762	191.714	82.404
Rent expenses	118.092	8.453	143.005	30.917
Taxes, duties and charges	95.603	8.945	204.543	79.118
Insurance expenses	51.901	-	67.860	138
Other	994.009	466.954	1.202.385	481.595
	8.755.777	3.104.397	9.454.375	3.752.308
Operating Expenses	24.836.017	8.919.842	22.319.547	8.298.454

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 38 – INCOME/EXPENSE AND PROFIT/LOSS FROM OTHER OPERATIONS

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
Other operating incomes				
Exchange profits	2.024.149	(144.607)	2.382.182	374.791
Interest incomes from time deposits	758.037	196.150	1.416.293	595.187
Interest incomes from time sales	2.964.628	1.762.163	1.463.373	300.607
Sale profits of financial assets	23.024.165	23.024.165	-	-
Fixed asset sale profits	1.126.153	1.001.755	-	-
Other	373.169	273.905	904.055	31.050
	30.270.301	26,113,531	6.165.903	1.301.635
Other operating expenses				
Exchange expenses	(2.696.223)	378.198	(1.450.472)	(303.056)
Fixed asset sale losses	(197.069)	(196.887)	(942.592)	-
Expenses of time difference from time purchasings	(606.896)	(303.515)	(738.666)	(212.688)
Provision for doubtful receivable expenses	(118.371)	-	(759.532)	(257.799)
Indemnity expenses	-	-	(178.514)	-
Other	(884.162)	(607.741)	(288.699)	4.249
	(4.502.721)	(729.945)	(4.358.475)	(769.294)

NOTE 39 – FINANCIAL EXPENSES

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
Financial interest expenses	826.452	475.489	347.159	103.995
	826.452	475.489	347.159	103.995

NOTE 40 - NET MONETARY POSITION PROFIT/LOSS

SPK has cancelled implementation of inflation accounting system as of 1 January 2005. Therefore, no monetary loss/profit accused to be reflected in the income statement..

NOTE 41 - TAXES

	30 September 2006	31 December 2005
Corporate and income taxes payable (Note 23)	7.447.148	8.865.391
Less: Taxes and funds pre-paid (Note 15)	(3.919.153)	(6.567.643)
Tax liabilities of current period payable (net)	3.527.995	2.297.748
Deferred tax liability (Note 14)	2.534.588	4.068.718
Total tax liabilities	6.062.583	6.366.466

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 41 - TAXES (continued)

Corporate Tax Law was amended through the act dated 13 June 2006 no.5520. Many provisions of the new Corporate Tax Law no.5520 took effect to be valid as of 1 January 2006. Corporate tax rate for the year 2006 in Turkey is 20% (2005: 30%). The corporate tax rate will be applicable to the tax base calculated by subtraction of outlays which are non-deductible from corporate financial revenues under tax legislation, exceptions included in the law (such as shareholding profits exception, investment deduction exception) and reductions (such as research development reduction). No other taxes are levied in the absence of profit distribution (excluding withholding tax payable at the rate of 19.8%, calculated by the exception amount granted in case of investment reduction exception within the scope of Provisional article 61 of the Income Tax Law).

Narrow taxpayer corporations generating profits through their workplace or permanent representation in Turkey and those which are residing in Turkey will not be subject to withholding tax on profit shares (dividends) distributed to them. A 10% withholding tax will be levied on dividend payments made to persons and corporations with the exception of the foregoing. Adding dividends to capital is not accepted as distribution of profits.

Companies will calculate provisional taxes at the rate of 20% by quarterly financial profits to be declared until the 10th day of the second month succeeding the respective period and payable until the evening of the 17th day. Provisionally taxes payable within the same year will be deducted from corporate tax to be calculated under the corporate tax declaration to be submitted in the year succeeding the respective year. Insofar as there remains a provisional tax balance despite subtraction, the amount may also be deducted from any other financial debt owed to the government or cash reimbursement thereof may be claimed.

The Law pertaining to the Amendment to the Tax Procedure Law, Income Tax Law and Corporate Tax Law numbered 5024 published in the Official Gazette on December 30, 2003 ("Law numbered 5024") stipulates that financial tables of income or corporate taxpayers whose income is determined in accordance with the Balance Sheet Principle will be subjected to inflation adjustment as of January 1, 2004. According to above stated provision, inflation correction will be conditional upon a cumulative inflation rate of 100% (State Statistics Institute TEFE increase rate) over a preceding period of 36 months and a maximum inflation rate of 10% (State Statistics Institute TEFE increase rate) in the final 12-month period. Due to the absence of above-mentioned conditions, no inflation adjustment was made in the year 2005 and 2006.

There is no mechanism for tax negotiation of taxes payable with the authorities available in Turkey. Corporate tax statements will be submitted to the affiliated Tax Office until the evening of the 25th day of the fourth month succeeding the month of the ending accounting period.

Instances authorized for tax auditing may inspect the accounting entries within a period of five years and tax amounts may be revised due to taxes to be levied in case of determination of erroneous processes.

Financial losses presented in the statement in line with the Turkish tax legislation may be subtracted from corporate income in the respective period provided that a 5-year term is not surpassed. However, financial losses may not be deducted from past year's profits.

The Corporate Tax Law includes numerous exemptions granted to corporations. Those exemptions which are related to the Company are explained below.

Dividend income (excluding investment fund participation certificates and investment shareholdings shares) yielded by capital shareholdings in another corporation subject to complete taxpayer liability will be exempted from corporate tax.

İZOCAM SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 41 - TAXES (continued)

75% revenues obtained from sales of shareholding shares, immovables, preferential subscriptions, founder's shares and dividend right certificates which have been included in assets of a company for two full consecutive years are exempted from corporation tax. This exemption is applied to revenues maintained in a fund account and not withdrawn for 5 years. The sales revenue should be collected until the end of the second calendar year following the date of sale.

Revenues obtained from sales of assets held by companies with the purpose of trading and leasing of movable assets and immovables are not covered by the said exemption.

Investment rebate exemption which was being applied for many years and recently calculated by taxpayers as 40% of fixed asset purchases exceeding a certain limit was abrogated through the Law no.5479 dated 30 March 2006. However, as per the temporary Article 69 incorporated to the Income Tax Law, income and corporate taxpayers are allowed to deduct only from their revenues obtained in 2006, 2007 and 2008 the investment rebate exemption amounts existing as of 31 December 2006 which they cannot deduct from their 2005 revenues, as well as any investment rebate exemption amount to be calculated in accordance with the provisions of the legislation in force on 31 December 2005 arising from:

- a) any investment to be made under the investment incentive certificates issued upon their request before 24 April 2003 for such investments already started within the framework of annex Articles 1, 2, 3, 4, 5 and 6 of the Income Tax Law no.193 abrogated through the Law no.4842 dated 9 April 2003; and
- b) any investment made after 1 January 2006 in connection with investments started before that date under Article 19 of the Income Tax Law no.193 which constitute an integral part of such investments in terms of economical and technical aspects.

Consequently, revenues of the type listed above included in the business profit/loss amount are taken into account in the calculation of corporation tax.

Apart from exceptions stated above related to the determination of the corporation tax base, deductions specified in the provisions of article 8, 9 and 10 of the Corporation Tax Law as well as article 40 of the Income Tax Law will also be taken into account.

Tax expenses included in income statements of the periods ended on 30 September 2006 and 2005 are summarized below:

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
Deferred income tax	1.534.130	37.946	791.475	104.079
Tax expenses of the current period	(7.447.148)	(3.530.172)	(6.458.181)	(2.261.355)
Total tax expenses	(5.913.018)	(3.492.226)	(5.666.706)	(2.157.276)

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NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 42 – EARNINGS PER SHARE

There is no difference between principal and relative income per share.

	1 January - 30 Sept. 2006	1 July- 30 Sept. 2006	1 January- 30 Sept. 2005	1 July 30 Sept. 2005
Net profit of shareholders	52.109.831	35.715.807	14.028.831	5.403.531
Weighted average number of issued shares	2.453.414.335	2.453.414.335	2.453.414.335	2.453.414.335
Earnings per share year (Ykr per share)	2,124	1,456	0,572	0,220

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NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 43 – CASH FLOW STATEMENT

	Notes	30 September 2006	30 September 2005
Cash flow provided from operations			
Profit before tax		58.022.849	19.695.537
Necessary adjustments for reconciliations on Pre-taxation profits and net cash inflow from operations:			
Sale profit of financial assets	38	(23.024.165)	-
Depreciation and depletion	19-20	6.313.096	7.849.934
Increase in provisions of severance pay	23	981.819	545.492
Increase in provisions of annual leave not used		-	653.954
Interest income	38	(3.722.665)	(2.879.666)
Interest expense	39	826.452	347.159
Profit/loss from sale of tangible assets (net)	38	(929.084)	942.592
Provisions for doubtful receivables	38	(118.371)	(324.985)
Provision for other non-cash expenses		524.338	1.291.123
Net cash before changes in assets and liabilities		38.874.269	28.121.140
Changes in trade receivables		(17.472.341)	(10.893.456)
Changes in receivables from related parts		(6.552.254)	1.097.072
Changes in other receivables		84.134	(7.955.817)
Changes in inventories		(2.326.127)	(1.915.063)
Changes in other current assets		2.372.829	1.548.062
Changes in other fixed assets		(5.376)	32.569
Changes in trade debts		(890.464)	4.090.606
Changes in receivables from related parts		(79.645)	(261.050)
Changes in other liabilities		107.208	(1.268.076)
Changes in progress payments for construction contracts in progress		-	750.920
Net income tax paid		(8.865.391)	(5.533.787)
Severance pay paid	23	(736.236)	(477.751)
Net cash from operations		4.510.606	7.335.369
Investment operations			
Purchase of tangible and intangible assets-net		(4.963.627)	(1.899.384)
Purchase of financial assets		(2.214.805)	
Net cash used in investments		(7.178.432)	(1.899.384)
Financial operations			
Changes in financial debts and other financial liabilities		7.540.643	(3.340.613)
Dividends paid		(11.040.365)	(8.025.000)
Interest received/(paid)		3.118.096	2.578.856
Net cash used in financial operations		(381.626)	(8.786.757)
Net decrease in cash and cash equivalents		(3.049.452)	(3.350.772)
Cash and cash equivalents the beginning of the period		15.906.807	16.169.929
Cash and cash equivalents at the end of the period		12.857.355	12.819.157

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NOTES TO FINANCIAL STATEMENTS FOR NINE-MONTH INTERIM PERIOD ENDED ON 30 SEPTEMBER 2006

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

NOTE 44- NECESSARY CLARIFICATION TO ENHANCE TRANSPARENCY, INTERPRETATION AND COMPREHENSION OF MISCELLANEOUS ISSUES WHICH HAVE A MAJOR IMPACT ON FINANCIAL STATEMENTS

A Stock Sale Agreement was signed on 5 September 2006 for the sale of total 61.2% shares of Izocam held by Temel Ticaret ve Yatırım A.Ş. and Koç family members to the St. Gobain Isover and Alamana Industries partnership at a total corporate value of 280 million USD to be sold for USD 171.3 million on 5 September 2006. The transfer of shares will take place pending the approval of the Competition Board. According to the price adjustment mechanism included in the agreement, the positive/negative difference between capital stock included in the Izocam financial tables prepared as per SPK (Capital Market Board) Accounting standards and the capital stock amount included in financial tables dated 30 June 2006 as of the closing day of the shares transfer (month's end preceding the closing process) has to be paid by the buyers or sellers.

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