

İZOCAM TİCARET VE SANAYİ ANONİM ŞİRKETİ

Organize San. Bölgesi 3. Cadde No: 4 Yukarı Dudullu 34775 Ümraniye - İSTANBUL

NOTES TO THE FINANCIAL STATEMENT AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009

Amount expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.

At 31 December 2009, time deposit are denominated in TL, USD and EURO and weighted average interest rates are 9,33 percent, 1 percent, 1 percent respectively. (31 December 2008: time deposits are denominated in TL, USD and Euro and interest rates are 19,63 percent, 3,90 percent and 3,25 percent, respectively). At 31 December, maturities of time deposits are less than one month.

For purposes of the statement of cash flows, cash and cash equivalents include bank deposits and short-term investments that are easily convertible to cash with high liquidity and with a maturity of up to three months.

Cash and cash equivalents included in the statement of cash flows for the periods ended 31 December is comprised of the followings:

Banks	2009	2008
Time deposit	44.527.023	28.877.711
Demand deposit	717.126	1.090.189
Cheques at collection	527.341	6.500
Other cash equivalents	902	1.276
Less: Interest accruals	(140.035)	(107.811)
	45.632.357	29.867.865

5 - BANK BORROWINGS

At 31 December, bank borrowings comprised of the followings:

	2009		2008	
Short Term Bank Borrowings	TL	Interest Rate %	TL	Interest Rate %
Akbank TAŞ "Akbank"	357.214	--	--	--
Total	357.214			

As at 31 December 2009, short term bank borrowings are interest-free spot credits obtained from Akbank Türk Anonim Şirketi to pay withholding taxes and Social Security Institution (SGK) premiums.

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6 - ACCOUNTS RECEIVABLE AND PAYABLE

6.1 Short-Term Accounts Receivable

At 31 December, short-term accounts receivables comprised of the followings:

	2009	2008
Accounts receivable	29.434.338	29.097.622
Notes receivable	13.793.837	25.950.793
Cheques receivable	5.681.500	5.241.677
Cheques received	--	865.558
Doubtful receivables	1.325.530	1.120.039
Less: Allowance for doubtful receivables*	(1.325.530)	(979.794)
	48.909.675	61.295.895

At 31 December 2009, TL 523.175 of accounts receivable comprised of due from related parties (At 31 December 2008: TL 81.756) in which detailed presentation is disclosed in Note 25. The average collection period of trade receivables is 78 days (31 December 2008: 69 days) which can change according to the type of the product and the provision of the agreement with the customer.

At 31 December, the maturity profiles Cheques and notes receivables are as follows:

	2009 ÇEQUES	Notes Receivable	2008 ÇEQUES	Notes Receivable
0 - 30 days	2.324.104	2.414.500	2.972.121	6.994
31 - 60 days	1.908.029	3.132.000	1.754.343	7.167.500
61-90 days	1.077.125	7.082.797	966.645	11.789.293
91 days and over	372.242	1.164.540	414.126	
Total	5.681.500	13.793.837	6.107.235	25.950.793

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6 - ACCOUNTS RECEIVABLE AND PAYABLE (CONTINUED)

At 31 December, the movement of allowance for doubtful receivables comprised of the followings:

	2009	2008
Beginning balance	979.794	711.342
Provision for the year	591.142	268.452
Write offs	(245.406)	--
Period end	1.325.530	979.794

6.2 Short-Term Accounts Payable

At 31 December 2009, short-term accounts payable amounts to TL 16.705.573 (31 December 2008: TL 17.639.565) arising from payable to various suppliers.

At 31 December 2009, TL 1.181.093 of accounts payable comprised of due to related parties (31 December 2008: TL 484.780) in which detailed presentation is disclosed in Note 25.

7 - OTHER RECEIVABLES AND PAYABLES

7.1 Long-Term Other Receivables

At 31 December 2009, long-term receivables comprised of deposits and collaterals amounting to TL 2,868 (31 December 2008: TL 2.804).

7.2 Short-Term Other Payables

At 31 December 2009, short-term other payables amounting to TL 3.646 (31 December 2008: TL 31.240) comprised of the other variable payables.

8 - INVENTORIES

At 31 December, inventories comprised of the following:

	2009	2008
Raw materials and supplies	10.291.671	14.329.532
Finished goods	6.166.159	6.253.665
Trading goods	745.808	566.906
	17.203.638	21.150.103

At 31 December inventories are accounted at cost and no inventory was recognized at its net realizable value.

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9 - PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2009, movement in the property, plant and equipment comprised of the following:

Cost	1 January 2009	Additions	Disposals	31 December 2009
Land	715.231	99.800	--	815.031
Land improvements	4.413.106	--	--	4.413.106
Buildings	33.715.865	319.355	(135.561)	33.899.659
Machinery and equipment	168.858.214	1.086.030	(642.900)	169.301.344
Furniture and fixtures	7.814.580	155.480	(137.687)	7.832.373
Leasehold improvements	39.540	17.000	--	56.540
Construction in progress	--	--	--	--
	215.556.536	1.677.665	(916.148)	216.318.053
Less: Accumulated depreciation	1 January 2009	Charge for the period	Disposals	31 December 2009
Land improvements	(2.357.344)	(157.543)	--	(2.514.887)
Buildings	(17.650.994)	(1.045.882)	27.296	(18.669.580)
Machinery and equipment	(119.108.238)	(10.350.386)	637.688	(128.820.936)
Furniture and fixtures	(6.861.528)	(280.235)	136.063	(7.005.700)
Leasehold improvements	(35.558)	(5.667)	--	(41.225)
Total accumulated depreciation	(146.013.662)	(11.839.713)	801.047	(157.052.328)
Net book value	69.542.874			59.265.725

For the year ended 31 December 2009, depreciation expenses amounting to TL 10.902.545 (31 December 2008: TL 10.624.855) has been recognised under cost of sales, TL 181.284 (31 December 2008: TL 201.311) has been included under administrative expenses and TL 755.884 (31 December 2008: TL 1.212.949) has been capitalized on stocks.

As at 31 December there has been no pledge on property, plant and equipment.

For the years ended 31 December 2009 and 2008, the Company utilizes tangible assets which have nil net book value on its accounts. (31 December 2009 Cost: TL 97.212.958, Accumulated Depreciation: TL 97.212.958; 31 December 2008 Cost: TL 96.980.684, Accumulated Depreciation: TL 96.980.684).

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9 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ended 31 December 2008, movement in the property, plant and equipment comprised of the following:

Cost	1 January 2009	Additions	Transfer	Disposals	31 December 2008
Land	715.231	--	--	--	715.231
Land improvements	4.413.106	--	--	--	4.413.106
Buildings	30.764.217	--	2.951.648	--	33.715.865
Machinery and equipment	165.043.196	663.717	4.045.067	(893.766)	168.858.214
Furniture and fixtures	7.395.551	168.631	271.904	(21.506)	7.814.580
Leasehold improvements	39.470	70	--	--	39.540
Construction in progress	2.326.205	4.942.414	(7.268.619)	--	--
	210.696.976	5.774.832	--	(915.272)	215.556.536
Less:					
Accumulated depreciation	1 January 2009	Charge for the period	Transfer	Disposals	31 December 2008
Land improvements	(2.197.480)	(159.864)	--	--	(2.357.344)
Buildings	(16.572.737)	(1.078.257)	--	--	(17.650.994)
Machinery and equipment	(109.318.365)	(10.534.101)	--	744.228	(119.108.238)
Furniture and fixtures	(6.620.345)	(262.162)	--	20.979	(6.861.528)
Leasehold improvements	(30.827)	(4.731)	--	--	(35.558)
Total accumulated depreciation	(134.739.754)	(12.039.115)	--	765.207	(146.013.662)
Net book value	75.957.222		--		69.542.874

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10 - INTANGIBLE ASSETS

For the year ended 31 December 2009, movement in the intangible assets comprised of the following:

Cost	1 January 2009	Disposals	31 December 2009
Rights	648.382	54.159	702.541
	648.382	54.159	702.541
Less: Accumulated amortization	1 January 2009	Charge for the period	31 December 2009
Software rights	(590.199)	(35.004)	(625.203)
Total accumulated amortization	(590.199)	(35.004)	(625.203)
Net book value	58.183		77.338

For the year ended 31 December 2008, movement in the intangible assets comprised of the following:

Cost	1 January 2008	Disposals	31 December 2008
Software rights	611.106	37.276	648.382
	611.106	37.276	648.382
Less: Accumulated amortization	1 January 2008	Charge for the period	31 December 2008
Software rights	(554.738)	(35.461)	(590.199)
Total accumulated amortization	(554.738)	(35.461)	(590.199)
Net book value	56.368		58.183

For the year ended 31 December 2009, amortization expenses amounting to TL 35.004 (31 December 2008: TL 35.461) have been included in administrative expenses.

For the years ended 31 December 2009 and 2008, the Company utilizes intangible assets which have nil net book value on its accounts. (31 December 2009 Cost: TL 573.588, Accumulated Depreciation: TL 573.588; 31 December 2008 Cost: TL 521.274, Accumulated Depreciation: TL 521.274).

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11 - EXPENSE ACCRUAL

11.1 - Short-Term Provisions

At 31 December, short-term provisions are comprised of the following:

	2009	2008
Provision for Turkish Competition Board's penalty (*)	1.317.714	--
Other administrative expense accruals	434.088	149.029
	1.751.802	149.029

(*)In accordance with the decision of "Turkish Competition Board" meeting held at 8 February 2010 numbered 10 – 14, the Company has been fined on administrative basis amounting to TL 1.317.714 due to the investigation in respect of the 4054 numbered Protection of Competition Law's article 6. The Company has the right to claim against the decision. The administrative fine which is equal to 0.5 percent of previous year's net income has been recorded as provision in the financial statements as at 31 December 2009.

The movement of provisions for year ended 31 December 2009 is as follows:

	1 January 2009	Additions	Payments	Reversal	31 December 2009
Provision for Turkish Competition Board's penalty (*)	--	1.317.724	--	--	1.317.724
Other administrative expense accruals	149.029	434.088	146.282	2.747	434.088
	149.029	1.751.812	146.282	2.747	1.751.812

12 - COMMITMENTS

According to the decision of Capital Markets Board's ("CMB") on 29 September 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party's debts,

The commitments given;

For companies other than publicly owned associations and financial institutions;

- For their own corporate identities
- In favor of fully consolidated associations
- In favor of 3rd parties to continue their operations will not be limited.

After the decision is published at the Platform of Public Enlightenment, publicly owned companies will not give commitments to real people or corporations other than mentioned at the bullets (i) and (ii) above or to third parties other than mentioned at the bullet (iii). If any commitments are already given it will be reduced to nil until 31 December 2014.

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12 - COMMITMENTS

At 31 December commitments given are as follows:

	2009	2008
A Commitments given in the name of own legal entity	8.287.040	6.477.407
B Commitments given in favor of full consolidated subsidiaries	--	--
C Commitments given to guarantee the debts of third parties to continue their operations	--	--
D Other commitments given;	--	--
- in favor of parent company	--	--
- in favor of group companies other than mentioned in bullets B and C	--	--
- in favor of 3rd parties other than mentioned in bullet C	--	--
Total	8.287.040	6.477.407

At 31 December, the Company has letter of guarantees obtained from banks and given to Custom Offices, foreign and domestic suppliers and to banks and notes given as collaterals.

At 31 December 2009, non-cancellable operating lease rentals are payable as follows:

	2009	2008
1. year	210.070	232.068
2. year	1.668	97.241
3. year	--	772
	211.738	330.081

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13 - EMPLOYEE BENEFITS

At 31 December, employee benefits comprised of the followings:

	2009	2008
Provision for employee severance indemnity	2.520.231	3.283.204
Long term portion of vacation pay liability	869.831	708.951
Long term portion of employee benefit	3.390.062	3.992.155
Short term portion	74.594	69.269
	3.464.656	4.061.424

Provision for employee severance indemnity has been set as follows:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to the length of service prior to retirement.

The severance pay is calculated as one month gross salary for every employment year and as at 31 December 2009 the ceiling amount has been limited to TL 2.365,16 (31 December 2008: TL 2.173,18).

The ceiling has been set on TL 2,427 as effective from 1 January 2010.

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

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

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

	2009	2008
Discount rate	% 5,92	% 6,26
Turnover rate to estimate the probability of retirement	%7	%8

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13 - EMPLOYEE BENEFITS (CONTINUED)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The movement of employee severance indemnity is as follows:

	2009	2008
Opening balance	3.283.204	3.101.115
Interest cost	512.478	339.826
Cost of services	185.675	292.320
Payments made during the period	(643.212)	(598.416)
Actuarial difference	(817.914)	148.359
Ending balance	2.520.231	3.283.204

Actuarial difference arises from the changes in interest rates and changes in expectations about the salary increases. In addition to that, the number of employees that receive their indemnity before retirement increased the difference. Actuarial differences are recorded as incurred. As at 31 December, interest cost, cost of services and TL 104.501 portion of actuarial difference is recorded as general administrative expenses (31 December 2008: TL 671.399), TL 15.260 portion is recorded as cost of sales (31 December 2008: TL 109.106).

The movement of vacation pay liability for the year 2009 is as follows:

	2009	2008
Opening balance	778.220	694.816
Additions during the period	384.521	307.252
Reversal	(218.316)	(223.848)
Ending balance	944.425	778.220

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14 - OTHER ASSETS AND LIABILITIES

14.1 - Other Current Assets

At 31 December, other current assets comprised the following:

	2009	2008
Advances given for inventory	2.001.135	187.688
Prepaid expenses	387.803	37.538
Taxes and funds to be offset	151.399	169.053
VAT for export receivables	98.365	199.091
Job advances	5.762	3.802
Other	11.978	39.881
	2.656.442	637.053

14.2 Other Non-Current Assets

At 31 December 2009, the Company does not have non-current assets (31 December 2008: TL 280).

14.3 Other Short-Term Liabilities

At 31 December, other short-term liabilities comprised of the following:

	2009	2008
Payable to employees	1.441.655	1.800
Withholding taxes and duties	1.059.425	1.356.922
Social security premium payable	431.834	408.218
VAT payable	106.951	466.468
Other	7.731	7.653
	3.047.596	2.241.061

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15 - EQUITY

15.1 Paid-in Capital / Inflation Adjustment on Capital

At 31 December 2009, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (31 December 2008: 2.453.414.335 shares of kr 1 each) of kr 1 each. There are no privileges given to different groups or shareholders. The shareholder structure of the Company is as follows:

	31 December 2009		31 December 2008	
	Shares	Ownership interest %	Shares	Ownership interest %
İzocam İzolasyon	15.004.304	61.15	15.004.304	61.15
İzocam İzolasyon (Publicly traded)	8.320.173	33.92	8.320.173	33.92
Other (Publicly traded)	1.209.666	4.93	1.209.666	4.93
	24.534.143	100.00	24.534.143	100.00
Inflation Adjustment on Capital	25.856.460		25.856.460	
	50.390.603		50.390.603	

Inflation adjustment represents the impact of cash additions into paid-in capital due to the change in the purchasing power of TL compared to 1 December 2004.

15.2 Other Equity Items

In accordance with the Communiqué No: XI-29 issued on 9 April 2008 in the Official Gazette; equity items of paid-in capital, share premiums, and legal reserves and special reserves under restricted reserves should be presented at their nominal amounts. Accordingly the inflation adjustments provided for within the framework of TFRS, for paid-in capital has been presented under inflation adjustment on capital, where as for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings. Other equity items have been presented at TFRS values.

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15 - EQUITY (CONTINUED)

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

31 December 2009	Nominal value	Inflation adjustment	Restated values
Share premiums	1.092	223.408	224.500
Restricted reserves	21.683.827	23.641.953	45.325.780
Legal reserves	21.683.781	18.710.928	40.394.709
Special reserves(*)	46	4.931.025	4.931.071
Extraordinary reserves	19.393.699	(1.496.872)	17.896.827
	41.078.618	22.368.489	63.447.107
31 December 2008			
Share premiums	1.092	223.408	224.500
Restricted reserves	17.906.498	23.641.953	41.548.451
Legal reserves	17.906.452	18.710.928	36.617.380
Special reserves(*)	46	4.931.025	4.931.071
Extraordinary reserves	17.905.361	(1.496.872)	16.408.489
	35.812.951	22.368.489	58.181.440

(*) The Company used investment allowance before the year 1980 and according to a legal obligation recorded this amount as special reserves.

Extraordinary reserves have been presented under retained earnings in accordance with Communiqué No: XI-29.

Share premiums represent the cash inflows generated from the sale of shares at their market values. Those premiums are followed under equity and can not be distributed. However, those premiums can be used in share capital increases in the forthcoming years.

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15 - EQUITY (CONTINUED)

15.3 Dividend Distribution

According to the Turkish Commercial Code ("TCC"), legal reserves are comprised of first and legal reserves. The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Company's statutory accounts until it reaches 20 percent of paid-in share capital. If the dividend distribution is made in accordance with Communiqué XI-29, a further 1/10 of dividend distributions, in excess of 5 percent of paid-in capital is to be appropriated to increase second legal reserves. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5 percent of paid-in capitals are to be appropriated to increase second legal reserves. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital. At 31 December 2009, legal reserves of the Company amount to TL 21.683.781 (31 December 2008: TL 17.906.452).

According to the decision of CMB on 25 February 2009 numbered 7/242 the net amount of distributable profit that is calculated per CMB's minimum profit distribution requirements will be wholly distributed if met by the net distributable profit of statutory records, if the amount per CMB is not met by statutory records, the amount to be distributed will be limited to the amount at the statutory records. If losses are incurred in either of CMB or statutory financial statements, no profit will be distributed.

In chapter 1 of 2010/4 weekly bulletin of CMB, to determine the principles of dividend obtained from 2008 operations of corporations coated to stock exchange market, it is stated that;

- For corporations traded at stock exchange market, there is not a determined minimum portion of distribution; in this aspect the profit to be distributed will be determined in line with the announcements of CMB Serial IV, Number 27, the articles of the incorporation and will be in accordance with the declarations made to public.
- For corporations that is obliged to issue consolidated financial statements, as long as met from the statutory profit; it is permitted to calculate the net distributable profit in line with the CMB's Serial XI, Number 29 "Bases for Financial Reporting at Capital Markets" announcement which is also the profit declared at the consolidated financial statements.
- The Corporation shall disclosure that statutory current year profit after previous year losses deducted and total amount of other resources made object of dividend in financial statements prepared in accordance with CMB Communiqué serial: XI Number: 29.
- For corporations traded at stock exchange market, when it is decided to distribute profits at the board of directors meeting and will be proposed to the general assembly of the company, or when profit distribution is decided at the general assembly of the direct partnerships; correspondent to that decision in accordance with the announcement of CMB's Serial VIII, Number 54 "Bases for the Declaration of Special Situations", in the appendix of special situation announcement, the profit distribution tables of the Profit Distribution Preparation Guideline will also be declared.

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15 - EQUITY (CONTINUED)

As at 31 December 2009, the current year profit and the other sources of retained earnings which are subject to dividend distribution of the Company, prepared in line with the CMB's financial reporting standards are TL 30.652.349 and TL 2.941.494 respectively (31 December 2008: TL 44.265.666, TL 1.488.337).

The net profit of the Company at statutory records is TL 33.593.806, other sources that can be through the profit distribution are TL 2.941.494 (31 December: TL 44.205.541 and TL 1.428.212). Net income after deduction of legal reserves is TL 30.651.342 (31 December 2008: TL 40.428.212). The Company compares the net results of statutory financial statements and financial statements prepared in accordance with CMB and make dividend distribution over the lowest result.

As at the date of the audit report, the Company has not announced a dividend distribution for the year 2009. As at 31 December 2009, according to the matters above the equity accounts of the Company per CMB's announcement Serial XI, Number 29 are:

	2009	2008
Paid-in capital:	24.534.143	24.534.143
Inflation adjustment on capital	25.856.460	25.856.460
Share premium	1.092	1.092
Restricted reserves		
Legal reserves	21.683.781	17.906.452
Special reserves	46	46
Retained profits		
Inflation adjustment on share premium	223.408	223.408
Inflation adjustment on legal reserves	18.710.928	18.710.928
Special reserves	4.931.025	4.931.025
Extraordinary reserves	17.896.827	16.408.489
Retained losses	209.994	209.994
Net Profit	30.652.349	44.265.666

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15 - EQUITY (CONTINUED)

In the ordinary general assembly held on 19 March 2009, it has been decided that TL 39.000.000 of the Company's net profit as at 31 December 2008 amounting to TL 44.265.666 would be distributed as cash dividend. Additionally, TL 3.777.329 will be transferred to second legal reserves; TL 1.488.337 would be distributed as retained earnings. At 31 December 2009, TL 38.979.742 of TL 39.000.000 total dividend has been paid and the remaining portion amounting to TL 19.718 has been credited to due to related parties.

According to CMB's decision on 27 January 2010 numbered 02/51 corporations traded on the stock exchange market are not obliged to distribute a specified amount of dividends (2008: 20 percent). For corporations that will distribute dividends, in relation to the resolutions in their general meeting the dividends may be in cash, may be free by adding the profit into equity, or may be partially from both, it is also permitted not to distribute determined first party dividends falling below 5 percent of the paid-in capital of the company but, corporations that increased capital before distributing the previous year's dividends and as a result their shares are separated as "old" and "new" are obliged to distribute 1st party dividends in cash.

16 - SALES AND COST OF SALES

For the years ended 31 December, sales and cost of sales comprised of the following:

	2009	2008
Domestic sales	171.338.785	212.008.822
Export sales	48.195.105	51.478.863
Other	123.963	55.189
Gross sales	219.657.853	263.542.874
Less: Sales returns and discounts	(13.217.692)	(15.953.676)
Net sales	206.440.161	247.589.198
Less: Cost of sales	(138.323.013)	(162.450.680)
Gross profit	68.117.148	85.138.518

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16 - SALES AND COST OF SALES (CONTINUED)

For the years ended 31 December, the nature of the cost of sales comprised of the following:

	2009	2008
Raw materials consumables used	115.484.108	139.183.049
Personnel expenses	11.981.488	12.443.466
Depreciation	10.902.545	10.624.855
Changes in inventories	(45.128)	199.310
Cost of Sales	138.323.013	162.450.680

17 - SELLING, MARKETING AND DISTRIBUTION EXPENSES

For the years ended 31 December, selling, marketing and distribution expenses comprised the following:

	2009	2008
Freight insurance expense	10.298.559	12.759.866
Wages and salaries	5.375.764	4.918.452
Advertisement expense	2.123.145	2.441.113
License expense	1.680.612	2.187.352
Sales commissions	1.201.756	1.663.418
Logistic expenses	1.032.849	1.188.117
Guarantee letter expenses	805.542	752.687
Dealer expenses	802.544	708.595
Exhibition and fair expense	271.762	269.112
Transportation expenses	519.092	551.818
Other	757.576	917.087
	24.869.201	28.357.617

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18 - ADMINISTRATIVE EXPENSES

For the years ended 31 December, administrative expenses comprised the following:

	2009	2008
Personnel expenses	5.736.634	7.094.232
IT Expenses	463.990	341.731
Transportation expenses	312.538	338.211
Repair, maintenance and energy	280.839	326.609
Consultancy expense	257.515	238.102
Communication expense	232.202	270.217
Depreciation and amortization (Note 9 and 10)	216.288	236.772
Subscription fees	186.285	214.037
Litigation expenses	155.680	110.414
Announcement expenses	130.065	162.432
Duties, taxes and levies	126.388	188.680
Rent expense*	125.296	120.851
Travel expense	108.142	234.128
Insurance expense	50.361	42.741
Stationary expenses	44.628	50.036
Research project expenses	8.096	131.712
Others	707.896	811.797
	9.142.843	10.912.702

(*) Comprises of the rent expenses of sales offices of the Company.

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19 - EXPENSES BY NATURE

For the year ended 31 December 2009, nature of expenses are disclosed in Notes 9, 10, 16, 17, 18, 20, 22 and 23.

20 - OTHER OPERATING INCOME/EXPENSE

20.1 Other Operating Income

For the years ended 31 December, other operating income comprised of the following:

	2009	2008
Gain on sale of property, plant and equipment	3.500	35.544
Other	447.747	318.148
	451.247	353.692

As at 31 December 2009 the amount of donations given to associations and charitable foundations is TL 20.277 (31 December: TL 18.304).

20.2. Other Operating Expense

For the years ended 31 December, other operating expense comprised of the following

	2009	2008
Provision for Turkish Competition Board's penalty	1.317.714	--
Provision for doubtful receivables	591.142	268.452
Loss on sale of property, plant and equipment	6.837	141.704
Other	298.030	269.434
	2.213.723	679.590

As at 31 December 2009, total donation given to various association, foundation and institutions is amounting to TL 20.277. (31 December 2008: TL 18.304).

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21 - FINANCE INCOME

For the years ended 31 December, finance income comprised of the following:

	2009	2008
Interest income on time deposits	3.969.233	3.170.248
Interest income on sales on credit terms	2.176.860	4.462.101
Foreign exchange gains	243.804	2.621.309
	6.389.897	10.253.658

22 - FINANCE EXPENSE

For the periods ended 31 December, finance expense comprised of the following:

	2009	2008
Interest expense on borrowings	93.232	490.067
	93.232	490.067

23 - TAX ASSETS AND LIABILITIES

In accordance with Article No. 32 of the new Corporate Tax Law No. 5520 published in the Official Gazette No. 26205 dated 21 June 2006, corporate tax rate is reduced from 30 percent to 20 percent. Accordingly, effective from 1 January 2006, statutory income is subject to corporate tax at 20 percent.

As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, increased from 10 percent to 15 percent.

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007.

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23 - TAX ASSETS AND LIABILITIES (CONTINUED)

If the tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

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

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

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

At 31 December, total tax liability comprised of the following:

	2009	2008
Corporate tax provision	8.582.590	11.192.741
Prepaid tax	(6.573.882)	(8.144.372)
Total	2.008.708	3.048.369
Deferred tax liability	1.848.830	2.444.476
	3.857.538	5.492.845

For the years ended 31 December, taxation charge in the income statement comprised of the following:

	2009	2008
Current tax	(8.582.590)	(11.192.741)
Deferred tax credit	595.646	152.515
	(7.986.944)	(11.040.226)

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23 - TAX ASSETS AND LIABILITIES (CONTINUED)

The reported taxation charge for the years ended 31 December is different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	2009		2008	
		%		%
Profit before tax	38.639.293		55.305.892	
Tax rate	20.00		20.00	
Taxes on reported profit per statutory tax rate	(7.727.859)	(20.00)	(11.061.178)	(20.00)
Permanent differences	(263.543)	(0.68)	--	--
Disallowable expenses	(22.090)	(0.06)	(31.444)	(0.06)
Other	26.548	0.07	52.396	0.09
Taxation charge	(7.986.944)	(20.67)	(11.040.226)	(19.96)

23.1 Deferred Tax Assets and Liabilities

Deferred tax liabilities and assets are provided, using the balance sheet method on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities and assets are recognized in the financial statements from the enacted or substantially enacted tax rates to the extent that the temporary differences in the subsequent years will be reversed.

The Company recognizes deferred tax assets in the financial statements by taking into consideration the factors such as the developments in the sector that the Company is operating, taxable income in the forthcoming years, Turkey's general economic and political situation, and/or global economic and political situations. The Company expects to generate taxable income in the forthcoming years and considers Turkey's economic and political situation shows clear positive developments. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in the forthcoming years under the balance sheet method using a principal tax rate of 20 percent (2008: 20 percent).

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23 - TAX ASSETS AND LIABILITIES (CONTINUED)

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

	2009 Deferred tax		2008 Deferred tax	
	Assets	Liabilities	Assets	Liabilities
Employee severance indemnity	504.046	--	656.641	--
Vacation pay liability	188.885	--	155.644	--
Unrecognized interest expense	28.634	--	69.504	--
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	--	(2.568.429)	--	(3.109.524)
Reversal of calculated rediscount expenses according to tax regulations	--	(79.891)	--	(216.741)
Provisions for doubtful receivables	77.925	--	--	--
	799.490	(2.648.320)	881.789	(3.326.265)
Offsetting	(799.490)	799.490	(881.789)	881.789
		(1.848.830)		(2.444.476)

The movement of deferred tax liabilities is as follow:

	1 January 2001	Profit or (loss)	31 December 2008	Profit or (loss)	31 December 2009
Employee severance indemnity	620.223	36.418	656.641	(152.595)	504.046
Vacation pay liability	138.963	16.681	155.644	33.241	188.885
Unrecognized interest expense	96.214	(26.710)	69.504	(40.870)	28.634
Pro-rata basis depreciation expense and capitalization of borrowing costs for tangibles and intangibles	(3.225.050)	115.526	(3.109.524)	541.095	(2.568.429)
Reversal of calculated rediscount expenses according to tax regulations	(226.613)	9.872	(216.741)	136.850	(79.891)
Provisions for doubtful receivables	--	--	--	77.925	77.925
Others	(728)	728	--	--	--
	(2.596.991)	152.515	(2.444.476)	595.646	(1.848.830)

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24 - EARNING PER SHARE

Earnings per share is computed by dividing the net profit of the year ended 31 December 2009 amounting to TL 30.652.349 (31 December 2008: TL 44.265.666) to the weighted average of the shares during these periods.

	2009	2008
Net Profit	30.652.349	44.265.666
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335
Earnings per share (Kr per share)	0.01249	0.01804

25 - RELATED PARTIES

25.1 Due from Related Parties

At 31 December, due from related parties comprised the following:

	2009	2008
Saint Gobain Isover Italia S.P.A.	442.246	--
Rigips Hellas SA. (Saint Gobain)	51.413	--
Saint Gobain Isover Almanya	16.103	--
JSC Saint Gobain Construction Products Ukraine ("JSC")	--	42.206
Saint Gobain Isover Romania SRL ("Isover")	--	17.261
Saint Gobain Isover France	13.413	14.614
Saint Gobain Seva France	--	7.675
	523.175	81.756