

**TRAKYA CAM SANAYİİ A.Ş.  
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2005

*TRANSLATED INTO ENGLISH FROM  
THE ORIGINAL TURKISH REPORT*

**TRAKYA CAM SANAYİİ A.Ş.**

**INDEPENDENT AUDITORS' REPORT FOR THE PERIOD  
1 JANUARY - 31 DECEMBER 2005**

To the Board of Directors of  
Trakya Cam Sanayii A.Ş.

1. We have audited the consolidated balance sheet of Trakya Cam Sanayii A.Ş. (the "Company") and its subsidiaries (together the "Group") as at 31 December 2005, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. We conducted our audit in accordance with International Standards on Auditing, and consequently our audit includes examining the accounting records and other necessary audit methods and procedures. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.
2. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2005, and the results of its operations and its cash flows for the years then ended, in accordance with legislations and Capital Market Board Accounting Standards (Note 2).

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

Hüseyin Gürer  
Partner  
Istanbul, 22 March 2006

<b>CONTENTS</b>	<b>Page</b>
CONSOLIDATED BALANCE SHEET..... 2	1-
CONDOLIDATED INCOME STATEMENTS.....	3
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY.....	4
CONSOLIDATED STATEMENTS OF CASH FLOWS.....	5
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	
NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP.....	6-7
NOTE 2 BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS ..... 8-10	6-7
NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	10-18
NOTE 4 CASH AND CASH EQUIVALENTS.....	19
NOTE 5 MARKETABLE SECURITIES.....	20
NOTE 6 BARROWINGS.....	20-22
NOTE 7 TRADE RECEIVABLES AND PAYABLES.....	23
NOTE 8 FINANCE LEASE RECEIVABLES AND OBLIGATIONS UNDER FINANCE LEASES	23
NOTE 9 DUE FROM / TO RELATED PARTIES.....	24-27
NOTE 10 OTHER RECEIVABLES AND PAYABLES.....	28
NOTE 11 BIOLOGICAL ASSETS.....	28
NOTE 12 INVENTORIES .....	28
NOTE 13 RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS AND PROGRESS COSTS .....	29
NOTE 14 DEFERRED TAX ASSETS AND LIABILITIES.....	29
NOTE 15 OTHER CURRENT / LONG TERM ASSETS AND CURRENT / LONG TERM LIABILITIES.....	30
NOTE 16 FINANCIAL ASSETS.....	31
NOTE 17 POSITIVE / NEGATIVE GOODWILL.....	31
NOTE 18 INVESTMENT PROPERTY.....	31
NOTE 19 TANGIBLE ASSETS.....	32-33
NOTE 20 INTANGIBLE ASSETS.....	34
NOTE 21 ADVANCES RECEIVED.....	35
NOTE 22 RETIREMENT PLANS.....	35
NOTE 23 PROVISIONS.....	35-36
NOTE 24 MINORITY INTEREST.....	36
NOTE 25 CAPITAL / ADJUSTMENT TO SHARE CAPITAL.....	36
NOTES 26,27,28 RESERVES AND RETAINED EARNINGS / LOSSES.....	37-38
NOTE 29 FOREIGN CURRENCY POSITION.....	39
NOTE 30 GOVERNMENT GRANTS AND INCENTIVES.....	40
NOTE 31 COMMITMENTS AND CONTINGENCIES.....	40
NOTE 32 BUSINESS COMBINATIONS.....	41
NOTE 33 SEGMENTAL REPORTING.....	41
NOTE 34 EVENTS AFTER THE BALANCE SHEET DATE.....	41
NOTE 35 DISCONTINUED OPERATIONS .....	41
NOTE 36 OPERATING INCOME.....	42
NOTE 37 OPERATING EXPENSES.....	42
NOTE 38 OTHER INCOME / EXPENSE AND PROFIT LOSSES.....	43
NOTE 39 FINANCE EXPENSES.....	43
NOTE 40 NET MONETARY GAIN / LOSS .....	43
NOTE 41 TAXES .....	44-45
NOTE 42 EARNINGS PER SHARE.....	45
NOTE 43 CASH FLOW STATEMENT.....	46
NOTE 44 OTHER MATTERS .....	46

# TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 31 DECEMBER 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

<b>BALANCE SHEET</b>	<b>Note</b>	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>309.006.475</b>	<b>328.384.388</b>
Cash and cash equivalents	4	52.861.501	145.612.209
Marketable securities (net)	5	-	526.363
Trade receivables (net)	7	82.975.099	71.761.093
Finance lease receivables (net)	8	-	-
Due from related parties (net)	9	85.819.524	49.533.441
Other receivables (net)	10	3.853.852	853.408
Biological assets (net)	11	-	-
Inventories (net)	12	83.071.413	59.964.992
Receivables from ongoing construction contracts	13	-	-
Deferred tax assets (net)	14	-	-
Other current assets	15	425.086	132.882
<b>Non - Current Assets</b>		<b>991.611.447</b>	<b>871.469.816</b>
Trade receivables (net)	7	71.269	1.354
Finance lease receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	202.495.978	169.635.583
Goodwill (Net)	17	-	-
Investment property (net)	18	-	-
Tangible assets (net)	19	787.472.068	700.526.248
Intangible assets (net)	20	1.549.292	1.247.194
Deferred tax assets (net)	14	-	-
Other long term assets	15	22.840	59.437
<b>TOTAL ASSETS</b>		<b>1.300.617.922</b>	<b>1.199.854.204</b>

Financial statements have been approved in the Board of Directors meeting of the Company on 22 March 2006, and signed by M. Akif Sözen, Board of Directors Member, and Müfit Özkara, Finance Manager.

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET  
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 31 DECEMBER 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

<b>LIABILITIES</b>	<b>Note</b>	<b>31 December 2005</b>	<b>31 December 2004</b>
<b>Current Liabilities</b>		<b>191.061.548</b>	<b>150.766.817</b>
Short term borrowings (net)	6	81.983.146	36.852.552
Short term portions of long term borrowings (net)	6	15.017.871	17.260.713
Obligations under finance leases (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	19.472.274	13.616.745
Due to related parties (net)	9	56.789.878	57.510.380
Advances received	21	538.143	1.384.063
Progress costs of ongoing construction contracts (net)	13	-	-
Provisions	23	9.456.133	17.455.445
Deferred tax liability	14	-	-
Other liabilities (net)	15	7.804.103	6.686.919
<b>Non – Current Liabilities</b>		<b>239.965.397</b>	<b>227.088.737</b>
Long term borrowings (net)	6	113.764.745	101.572.813
Obligations under finance leases (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	26.150.305	23.986.752
Deferred tax liability	14	98.608.909	100.812.247
Other liabilities (net)	15	1.441.438	716.925
<b>MINORITY INTEREST</b>	24	<b>3.068.759</b>	-
<b>EQUITY</b>		<b>866.522.218</b>	<b>821.998.650</b>
<b>Capital</b>	25	<b>227.600.000</b>	<b>227.600.000</b>
<b>Adjustment to Share Capital</b>	25	-	-
<b>Capital reserves</b>	26	<b>171.956.112</b>	<b>140.428.512</b>
Premium in excess of par		-	-
Gain on cancellation of equity shares		-	-
Revaluation reserve		-	-
Revaluation reserve for financial assets		41.459.170	9.931.570
Inflation adjustment of equity items		130.496.942	130.496.942
<b>Profit reserves</b>	27	<b>176.175.314</b>	<b>156.328.205</b>
Legal reserves		118.537.922	108.116.487
Statutory reserves		-	-
Extraordinary reserves		57.322.825	48.223.565
Special reserves		-	-
Gain from sale of tangible assets and equity participations' shares transferable to capital		-	-
Foreign currency translation reserve		314.567	( 11.847)
<b>Net loss (-) / profit</b>		<b>82.924.927</b>	<b>102.915.773</b>
<b>Accumulated loss</b>	28	<b>207.865.865</b>	<b>194.726.160</b>
<b>Total Equity and Liabilities</b>		<b>1.300.617.922</b>	<b>1.199.854.204</b>

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 31 DECEMBER 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

<b>INCOME STATEMENT</b>	<b>Note</b>	<b>1 January – 31 December 2005</b>	<b>1 January – 31 December 2004</b>
<b>OPERATING INCOME</b>			
Sales revenue (net)	36	585.390.591	561.742.252
Cost of sales (-)	36	(369.461.510)	(351.045.000)
Service income (net)	36	-	-
Other operating income (net)	36	-	-
<b>GROSS OPERATING PROFIT / LOSS</b>		<b>215.929.081</b>	<b>210.697.252</b>
Operating expenses (-)	37	(92.399.986)	(80.665.903)
<b>NET OPERATING PROFIT / LOSS</b>		<b>123.529.095</b>	<b>130.031.349</b>
Other income and gains	38	51.428.247	59.517.303
Other expense and losses (-)	38	(39.412.063)	(30.021.567)
Finance expenses (-)	39	(21.178.087)	(28.126.391)
<b>PROFIT / LOSS BEFORE MONETARY GAIN / LOSS AND TAXATION</b>		<b>114.367.192</b>	<b>131.400.694</b>
Net monetary gain / loss	40	-	15.416.013
<b>MINORITY INTEREST</b>	24	<b>(61.259)</b>	<b>-</b>
<b>PROFIT / LOSS BEFORE TAXATION</b>		<b>114.305.933</b>	<b>146.816.707</b>
Taxation	41	(31.381.006)	(43.900.934)
<b>NET PROFIT / LOSS FOR THE YEAR</b>		<b>82.924.927</b>	<b>102.915.773</b>
<b>EARNINGS PER SHARE</b>	42	<b>0,36</b>	<b>0,45</b>

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2005 AND 31 DECEMBER 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

	Capital	Revaluation Reserve for Financial Assets	Inflation Adjustment of Equity Items	Legal Reserves	Extra-ordinary Reserves	Foreign Currency Translation Reserve	Accumulated Profit	Net Period Profit	Total
<b>Balance as of 1 January 2004</b>	227.600.000	4.094.415	130.496.942	98.216.379	75.609.457	( 2.936)	235.796.161	-	771.810.418
Transfers	-	-	-	9.900.108	( 27.385.892)	-	17.485.784	-	-
Dividends paid	-	-	-	-	-	-	( 58.555.785)	-	( 58.555.785)
Change in fair value of financial assets	-	5.837.155	-	-	-	-	-	-	5.837.155
Foreign currency translation effect	-	-	-	-	-	( 8.911)	-	-	( 8.911)
Net profit for the year	-	-	-	-	-	-	-	102.915.773	102.915.773
<b>Balance as of 31 December 2004</b>	<u>227.600.000</u>	<u>9.931.570</u>	<u>130.496.942</u>	<u>108.116.487</u>	<u>48.223.565</u>	<u>( 11.847)</u>	<u>194.726.160</u>	<u>102.915.773</u>	<u>821.998.650</u>
<b>Balance as of 1 January 2005</b>	227.600.000	9.931.570	130.496.942	108.116.487	48.223.565	( 11.847)	297.641.933	-	821.998.650
Disposal of subsidiary	-	-	-	-	-	-	300.627	-	300.627
Transfers	-	-	-	10.421.435	9.099.260	-	( 19.520.695)	-	-
Dividends paid	-	-	-	-	-	-	( 70.556.000)	-	( 70.556.000)
Change in fair value of financial assets	-	31.527.600	-	-	-	-	-	-	31.527.600
Foreign currency translation effect	-	-	-	-	-	326.414	-	-	326.414
Net profit for the year	-	-	-	-	-	-	-	82.924.927	82.924.927
<b>Balance as of 31 December 2005</b>	<u>227.600.000</u>	<u>41.459.170</u>	<u>130.496.942</u>	<u>118.537.922</u>	<u>57.322.825</u>	<u>314.567</u>	<u>207.865.865</u>	<u>82.924.927</u>	<u>866.522.218</u>

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

	<b>Note</b>	<b>01.01.2005- 31.12.2005</b>	<b>01.01.2004- 31.12.2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the year		82.924.927	102.915.773
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation of property, plant and equipment	19	60.188.237	55.497.129
Amortization of intangible assets	20	237.580	163.506
Diminution in value of financial assets	16	(908.246)	300.223
Accrued exchange losses and interest on borrowings	6	2.195.298	854.889
Changes in retirement pay provision	23	6.500.901	4.030.256
Changes in allowances for doubtful receivables	10	-	(33.054)
Changes in other provisions	12	(163.424)	170.409
Accrued interest income and foreign exchange gains		(8.282.505)	(12.126.584)
(Gain) / loss from financial assets		(3.790.536)	(7.715.254)
Accrued taxation net of monetary gain		31.381.006	31.734.466
Operating cash flow provided before changes in working capital		170.283.238	175.791.759
Changes in working capital	43	(68.328.781)	19.423.602
Cash generated from operations		101.954.457	195.215.361
Taxes paid		(41.583.656)	(24.682.293)
Interest paid		(5.069.251)	(7.328.004)
Retirement payments made	23	(4.337.348)	(3.394.171)
<b>Net cash provided by operating activities</b>		<b>50.964.202</b>	<b>159.810.893</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		4.414.810	6.623.873
Changes in marketable securities (net)	5	526.363	(160.584)
Changes in financial assets	16	(424.549)	(4.131.666)
Purchases of property, plant and equipment	19	(148.449.459)	(102.682.092)
Purchases of intangible assets	20	(599.096)	(582.714)
Net book value of property, plant and equipment disposed	19	1.315.401	226.249
Net book value of intangible assets disposed	20	59.418	-
Change in translation reserve		326.414	(8.911)
Disposal of subsidiary		300.627	-
Income from financial assets		3.790.536	7.715.254
Changes in other investing activities	43	691.195	635.329
<b>Net cash used in investing activities</b>		<b>(138.048.340)</b>	<b>(92.365.262)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Changes in borrowings (net)		57.953.637	56.972.784
Dividends paid		(70.556.000)	(58.555.785)
Changes in minority interests (net)		3.068.759	-
<b>Net cash used in financing activities</b>		<b>(9.533.604)</b>	<b>(1.583.001)</b>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>		<b>(96.617.742)</b>	<b>65.862.630</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>	4	145.612.209	76.165.426
Effect of accrued exchange losses and accrued interest on cash and cash equivalents		3.867.034	3.584.153
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	4	<b>52.861.501</b>	<b>145.612.209</b>

# TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

### 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

The Group consists of Trakya Cam Sanayii A.Ş. (“the Company”) and two joint ventures and one subsidiary in which the Company owns a majority shareholding and/or effectively controls their management.

Trakya Cam Sanayii A.Ş. was established on 17 January 1978 and started production activities in 1981. The Company is a subsidiary of the group of Türkiye Şişe ve Cam Fabrikaları A.Ş which is under the control of Türkiye İş Bankası A.Ş. Currently, the Company is a producer of basic flat glass, automotive glass, mirror, laminated glass, coated and processed glass in its production facilities at Kırklareli (Lüleburgaz), Kocaeli (Çayırova), Mersin (Tarsus) and Bulgaria (Targovishte). Headquarter of the Company is located at İş Kuleleri Kule 3, 4.Levent/ İstanbul.

The Company conducts a significant portion of its business with corporations, which are associates of Şişecam Holding. The Company’s shareholders, subsidiaries, equity participations and other related parties in Şişecam Holding are listed as below:

#### SHAREHOLDERS

Türkiye Şişe ve Cam Fabrikaları A.Ş.	(Şişecam Holding)
Cam Pazarlama A.Ş.	(Cam Pazarlama)

#### FINANCIAL ASSETS

Camiş Madencilik Sanayii A.Ş.	(Camiş Madencilik)
Paşabahçe Cam Sanayii ve Ticaret A.Ş.	(Paşabahçe Cam)
Soda Sanayii A.Ş.	(Soda Sanayi)
Cam Elyaf Sanayii A.Ş.	(Cam Elyaf)
Çayırova Cam Sanayii A.Ş.	(Çayırova Cam)
İstanbul Porselen San. A.Ş.	(İstanbul Porselen)
Camiş Elektrik Otoprodüktör Grubu A.Ş.	(Camiş Elektrik)

#### GROUP COMPANIES

Paşabahçe Eskişehir Cam Sanayii ve Ticaret A.Ş.	(Paşabahçe Eskişehir)
Anadolu Cam Sanayii A.Ş.	(Anadolu Cam)
Camiş Makine Kalıp Sanayii A.Ş.	(Camiş Makine ve Kalıp)
Camiş Sigorta Hizmetleri A.Ş.	(Camiş Sigorta)
Camiş Ambalaj Sanayii A.Ş.	(Camiş Ambalaj)
Cam Ürünleri İşleme Ve Ticaret A.Ş.	(Cam Ürünleri İşleme)
Denizli Cam Sanayii A.Ş.	(Denizli Cam)
Paşabahçe Mağazaları A.Ş.	(Paşabahçe Mağazaları)
Camiş Lojistik Hizmetleri ve Ticaret A.Ş.	(Camiş Lojistik)
Camiş Limited	(Camiş Limited)
Ferro Döküm San. ve Tic. A.Ş.	(Ferro Döküm)
Oxyvit Kimya Sanayii Ve Ticaret A.Ş.	(Oxyvit)
Solvay Şişecam Holding A.G. (Austria)	(Solvay)
Mepa Merkezi Pazarlama A.Ş.	(Mepa)
Şişe Cam Bulgaria Ltd.	(Şişecam Bulgaria)
Madencilik Sanayii ve Tic.A.Ş	(Madencilik Sanayi)

# TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

### 1. ORGANIZATION AND OPERATIONS OF THE COMPANY (cont'd)

#### Consolidated Subsidiaries:

The companies included in the consolidation, their nature of business, segments and the direct & effective ownership percentages by the Group are as follows:

<u>Company</u>	<u>Operation Area</u>	<u>Registered Country</u>	<u>Operation Group</u>	
Trakya Cam Investment BV	Investment	Holland	Plain glass	
Trakya Glass Bulgaria EAD	Production	Bulgaria	Plain glass	
Trakya Yenişehir Cam Sanayii A.Ş. (*)	Production	Turkey	Plain glass	

  

<u>Name</u>	<u>2005</u>		<u>2004</u>	
	<u>Proportion of direct ownership</u>	<u>Proportion of effective ownership</u>	<u>Proportion of direct ownership</u>	<u>Proportion of effective ownership</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Trakya Cam Investment BV	70	70	100	100
Trakya Glass Bulgaria EAD	-	70	-	100
Trakya Yenişehir Cam Sanayii A.Ş. (*)	85	85	-	-

(\*): This Company was established in 2005, and has not started its operations yet.

#### Shareholder structure of the Company:

The issued nominal capital of the Company is TRY 227.600.000. Shares of the Company are traded in Istanbul Stock Exchange (ISE), and the shareholder structure is as follows:

<u>Shareholders</u>	<u>31 December 2005</u>		<u>31 December 2004</u>	
	<u>Share</u>	<u>Share Amount</u>	<u>Share</u>	<u>Share Amount</u>
	<u>%</u>	<u>TRY</u>	<u>%</u>	<u>TRY</u>
T.Şiše ve Cam Fabrikaları A.Ş.	60,83	138.451.870	60,83	138.451.870
Cam Pazarlama A.Ş.	5,85	13.308.652	5,85	13.308.652
IFC	0,07	150.000	1,74	3.957.519
Other	33,25	75.689.478	31,58	71.881.959
Total		<u>227.600.000</u>		<u>227.600.000</u>

#### Personel numbers by category:

	<u>31 December</u>	<u>31 December</u>
	<u>2005</u>	<u>2004</u>
Personel with monthly salary	664	594
Personel with hourly wage	1.619	1.444
Total	<u>2.283</u>	<u>2.038</u>

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 2. BASIS OF FINANCIAL STATEMENTS

##### **Accounting Standards Applied:**

The Company and its subsidiaries, which are registered in Turkey, maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation (collectively, “Turkish Practices”).

The Capital Markets Board (CMB), published a set of comprehensive accounting policies in Communiqué No: 25 of Series XI, “The Capital Markets Accounting Standards ”.

In the additional Article 1, concerning financial statements, report and footnote formats without revealing declarations made by the Board upon Accounting Standards, International Financial Reporting Standard Applications of the Entreprises added to the “Communiqué on Amendments upon the Capital Markets Accounting Standards Communiqué” numbered 27, Series XI. and the “Communiqué on the Capital Markets Accounting Standards” numbered 25, Series XI, declared on 23 December 2004 are explained in the Communiqué numbered 25, that predicted arbitrament over arrangements and responsibilities upon declarations and so, the Communiqué declared that as an alternative the compliance with the accounting standarts issued by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) will be counted as in compliance with the CMB Accounting Standards.

According to this, the Group adopts itself to prepare its financial statements according to the alternative application frame, permitted by the Capital Markets Board, mentioned above. The formats of financial tables and notes are in accordance with the notification dated 20 December 2004 stated by the CMB.

##### **Application of Financial Reporting in Hyperinflationary Economies:**

The CMB with the 17 March 2005 resolution declared that companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards, effective as of 1 January 2005, will not be subject to the application of inflation accounting. Consequently financial statements dated 31 December 2005 were not subject to inflation accounting.

Article 404 of the Capital Market Board Bulletin, Series XI No:25 “Bulletin About The Accounting Standards in Capital Markets, decelerates that as companies ends inflation accounting practices stated in this bulletin due to the end of hyperinflationary economic period, figures in financial statements of last period constitutes the opening figures that will be based to preparation of the financial statements of following period.

Besides, stated bulletin’s article 403 declerates that financial statements are prepared in comparition with the past period’s financial statements. To make the better comparision, last period’s financial statements that were prepared in accordance to this bulletin are stated with current purchasing power by using adjustment coefficient.

In the extend of these commands, adjusted values of 31.12.2004 financial statements’ figures constitutes the opening values that will be based to the financial statements dated as 31.12.2005 and there after.As mentioned in article 403 of stated article, to make better comparision, values that were prepared before period 31.12.2004 and stated with the purchasing power of preperation date, are stated with purchasing power on 31.12.2004; last inflation accounting adjustments date. (Index as of 31.12.2004 is 8.403,8).

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 2. BASIS OF FINANCIAL STATEMENTS (cont'd)

##### **Application of Financial Reporting in Hyperinflationary Economies: (cont'd)**

As at 31 December 2005, the exchange rate announced by the Turkish Central Bank (which is a market rate) was TRY 1,3418 = US\$ 1 and TRY 1,5875=EUR 1 (31 December 2004: TRY 1,3421 = US\$ 1 and TRY 1,8268=EUR 1).

##### **Consolidation:**

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company as explained in Note 1. Adjustments are made to eliminate intercompany sales and purchases, intercompany receivables and payables and intercompany equity investments.

Entities in which the Company, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated. Operation results of the subsidiary affect the Group because the group has management power of financial and operational politics of its subsidiary. All significant transactions and balances between the Company and its consolidated subsidiaries are eliminated on consolidation. In cases where the consolidated entities are not 100% owned, the shareholders' equity and net income which belong to third party shareholders are separately disclosed as minority interest.

Joint ventures are presented in the consolidated financial tables by using ratio based method. Due to ratio based method, usage of ratio based method will be ended as the cooperative control over the entity ends. Actually, implementations of ratio-based method are similar with full consolidation method. But, before the consolidation of a joint venture, Group's direct or indirect share of the joint venture has been calculated. Joint venture's financial table's calculated ratio is summed up with the relevant account of the groups consolidated financial tables. At the end of this operation, the consolidated financial statements do not include shareholders equity of minority shares and minority profit/loss. Recording of the transactions between the joint venture and Group depends on the origin of the transaction. In this regard, only the other enterprise's share of profits that occurred because of selling or transferring and profit due to a non current asset is considered.

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions. The Group has 20% to 50% of these equity participations and has a right to vote. However, the Group does not have a full control over the activities and they are accounted under the equity method. According to the equity method, the net assets of the investee company are carried in the balance sheet and the share of the Company in the investee company's results of operations is recognized in the statement of income. The carrying amount of such investments is reduced to recognize any decline, other than a temporary decline, in the value of individual investments.

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 2. BASES OF FINANCIAL STATEMENTS (cont'd)

##### **Consolidation: (cont'd)**

According to IAS 21 “Effects Of Changes In Foreign Exchange Rates”, the Group’s subsidiaries assets and liabilities are converted to Turkish Lira by the rates prevailing at balance sheet date. Income and expenses are converted by the average rate of the period. Differences occurred because of the difference of balance sheet rate and average rate is booked in foreign currency translation differences account. Translation differences occurred are written as income or expense at the end of the period.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority’s proportion of the fair values of the assets and liabilities recognized. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

Other equity participations in which the company has less than 20% ownership or interest in voting rights are accounted for at indexed cost, less provisions where necessary for decline in value.

Trakya Yenişehir Cam Sanayii A.Ş., which the Company has 85% of the shares and has control over is fully consolidated, and Trakya Investment BV and Trakya Glass Bulgaria EAD is proportionally consolidated, while Çayırova Cam Sanayi A.Ş. and Camış Elektrik A.Ş. which the Company has 28,13% and 34,43% of the shares respectively and interest of voting rights are added to the consolidated financial statements by using the equity method.

##### **Comparative Information and Prior Period Financial Statement Correction:**

Comparative information is disclosed with respect to previous period for all amounts reported in the financial statement. When the presentation of financial statements or the reclassification of a balance changes, the prior year is also adjusted in accordance with the current year. In this respect, prior periods financial statements are reclassified in accordance with the disclosure of financial statements and notes that should be applied since 01.01.2005 announced by the Capital Markets Board with number MSD-10/868-44357.

##### **Offsetting:**

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

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the accompanying financial statements are as follows:

##### a. Revenue

Revenue is recognized on accrual basis over the amount obtained or to be obtained based on the assumption that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Company is probable. Net sales are calculated after the sales returns and sales discounts are deducted.

##### b. Inventories

Inventories are stated at the lower of cost or net realizable value (market value less sales expenses). Inventories are valued with the weighted average method. Inventories cost is determined by total purchasing costs, transforming costs and other costs to convert inventories to their current position.

##### c. Tangible Assets

Value of tangible fixed assets is determined through indexed carried historical cost for those acquired before 1 January 2005, and through netting of acquisition cost, accumulated depreciation and impairments for those acquired in 2005. Fixed assets are depreciated principally on a straight-line basis with useful life basis principle. Tangible fixed assets except the land with infinite useful life are depreciated over the following useful lives:

	<u>Useful life</u>
Buildings	25-50 years
Land improvements	8-50 years
Machinery and equipment	10-15 years
Vehicles	5 years
Furniture and fixtures	2-15 years
Leasehold improvements	4-5 years
Moulds	3-10 years

Gains or losses on disposal of tangible fixed assets with respect to their inflation-adjusted amounts are included in the related income and expense accounts, as appropriate. When the registered value of the tangible fixed assets is over the expected substitution value, it is reduced to the substitution value by provisions.

Expenses for the repair of tangible fixed assets are normally charged against income. In cases where they result in an enlargement or substantial improvement of the respective assets, all the cost associated with the repair, including the interest charges for the period of the relining on any loans specifically taken to finance the repair, are capitalized and subjected to depreciation in accordance with the depreciation policies explained above.

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### d. Intangible Assets

Intangible fixed assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

##### e. Impairment of Tangible and Intangible Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible, intangible assets and investment property carried at cost less accumulated depreciation, excluding goodwill and deferred tax assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

##### f. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

##### g. Financial Instruments

All the financial assets are initially carried at their fair value including their purchase costs related to the investment.

Investments are recognized based on the date which they are incurred at their recognized values.

After the initial recognition, the Group's held to maturity investments are carried at their amortised costs less any accumulated impairment losses.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are valued at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Available for sale investments which is formed in an active market but has not market price or has no fair value determined by other methods are stated at restated cost in the accompanying financial statements.

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

##### **g. Financial Instruments (cont'd)**

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Market value is the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists. The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented here in may not necessarily be indicative of the amounts the Group could realize in a current market exchange.

Balances with banks, receivables, contingent liabilities such as letters of guarantee and letters of credit are important financial instruments which would have negative effects on the financial structure of the Group if the other party failed to comply with the terms and conditions of the agreement.

For some securities, recorded values equal to their purchase value, since they are short-term, it is assumed that their values are equal to the fair value.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

##### Cash and cash equivalents

Cash and bank balances denominated in foreign currencies are translated at period-end exchange rates. The carrying amounts of the remaining cash and bank balances are reasonable estimates of their fair value.

##### Financial assets

Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

##### Trade receivables

Book values of the trade receivables along with the related allowances for uncollectibility and trade payables balances are estimated to be their fair values.

##### Borrowings

Borrowings have interest rates that are fixed on an entry value basis. However, borrowings at libor plus mark up are subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing bank loans and overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

##### Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment.

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### g. Financial Instruments (cont'd)

###### Price risk

The Group is exposed to exchange rate fluctuations between foreign currencies and Turkish Lira due to the nature of its business. The majority of the Group's imports and borrowings are in foreign currencies. Certain parts of the interest rates related to borrowings and leasing transactions are based on market interest rates, therefore the Group is exposed to interest rate fluctuations on domestic and international markets.

###### Liquidity risk

The Group is generally raising funds by liquidating its short-term financial instruments such as collecting its receivables and disposing of marketable securities. The Group's proceedings from these instruments generally approximate their fair values.

##### h. Business Combinations

None.

##### i. Foreign Currency Transactions

In accordance with IAS 21 "Effects of Changes in Foreign Exchange Rates", for the purpose of the consolidated financial statements, assets and liabilities of the associates of the Group in foreign countries, are converted into TRY using the parity in the balance sheet date. Income and Expense items are expressed in TRY using the weighted currency in that period. Currency differences arising from the closing and weighted currency, are followed in the translation reserve account, in shareholder's equity. Exchange differences are reported as income or expense at the end of the transaction period.

In preparing the financial statements of the Company, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

##### i. Earnings Per Share

Earning per share stated on statements of income is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the year. The number of common share available during the period is the sum of number of common shares at the beginning of the period and the product of number of common shares issued during the period and a time weighted factor. (Note 42).

##### j. Events After Balance Sheet Date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. For the events that provide evidence of conditions that existed at the balance sheet date or those that are indicative of conditions that arose after the balance sheet date, this is explained in the notes to the financial statements.

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### k. Provisions, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation.

A contingent liability is a possible obligation that arises from the past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from the past events but is not recognised because; it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

The Group, reflects its related liabilities in the notes to the extend that contingent liabilities are probable but no reliable assumption can be made regarding the amount of resources covering benefits.

##### l. Changes in Accounting Policies, Accounting Estimates and Errors

Accounting policies, estimates and rules practised in preparation of financial statements are determined in accordance with International Financial Reporting Standards (IFRS) ascribed in Capital Market Board Accounting Standards and in CMB's Bulletin of Series: XI, Article:25 and they are practiced consistently.

Accounting policies are changed if it is necessary and if it will lead a more reasonable and reliable presentation of the affects of Group's financial position, performance, or operations related to cash flows on its financial tables. If the change in an accounting policy affects the past periods, than that policy is practiced to past financial tables as it is always in use. If the change in the accounting policy affects the following periods, those affects of related policy is reflected to financial statements on the date period change has practiced.

Accounting estimates are based on reliable information and reasonable guesses. Estimates are looked over only if there has been a change in the conditions that estimates were made, a new information is obtained or, additional changes occur. Effects of the change in accounting policy is attributed to financial statements by taking the determination of net period profit or loss into consideration, in the current period change has practiced, if it is only related to one period; in both current and following periods, if it is not only related to current period but also future periods.

When accounting policies are not truly practiced, informations are not truly interpreted and noticed and, mathematical errors are occurred; error amount is attributed to past. It is not considered in determination of current period's net profit and loss. Explanations about the nature of error, total amount of past period adjustments, and adjustment amounts of all comparatively stated periods are mentioned.

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### m. Financial Leases

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

##### n. Related Parties

For the purpose of the accompanying financial statements, shareholders of the Company, consolidated and non-consolidated group companies, Türkiye Şişe ve Cam Fabrikaları A.Ş. Group, their directors and any groups to which they are known to be related, are considered and referred to as related. Operations with related parties are realized with the prices in line with the market conditions.

##### o. Segmental Information

None.

##### p. Construction Agreements

None.

##### r. Discontinued Operations

None.

##### s. Government Grants and Incentives

40% excluding some exceptions- of the investment payments which exceed TRY 6.000 related to tangible assets after 24 April 2003 are exempt from corporate tax due to the investment allowance exemption. Withholding tax is not calculated over these exempt amounts. Unless the investment profit is adequate, this tax reduction arising from these investments are transferred to future years. Entities or Groups are not obliged to given an "investment incentive certificate" as to benefit from this investment allowance exemption. Utilizing the right of the earned tax reduction in respect of valid judgments before 24 April 2003, withholding tax will be 19.8 % over the investment allowance amount regardless of the allocation of the profit.

In the 9th section of the 28th article of the law dated 16 July 2004, numbered 5228, it was decided that as of 31 July 2004, 40% of research and development expenditures from the Group's exclusive and new search for technology and information is exempt from corporate tax as an Ar-Ge deduction. Former application will be carried for the expenditures subsequent to 31 July 2004. There is no withholding tax for Ar-Ge deduction.

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### s. Government Grants and Incentives (cont'd)

Expenses regarding industries having Ar-Ge quality projects which were qualified by expert organizations are viewed and evaluated so that specific proportion of these expenses are considered as grants or are given support on condition of payback under Export inclined Government grants decision numbered 94/6401, within the framework of Research and Development (Ar-Ge) Grants numbered 98/10 which was published in accordance with the decision of Money-Credit Coordination Board dated 9/9/1998 and numbered 98/16 by the Under Secretariat of Foreign Trade.

The Group is exempt from the stamp tax and duties attributed to the export transactions and other profitable foreign exchange operations to the extent of the procedures and basis determined by Ministry of Finance and Undersecretariat of Foreign Trade.

The government grants are paid to support the participation of attending fairs abroad according to the decision dated 16 December 2004 and numbered 2004/11 of Money Credit and Coordination Committee which was prepared on the basis of "Decisions of Export-oriented Government Grants".

##### t. Investment Property

None.

##### u. Taxation and Deferred Income Taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Taxes on income for the year comprise of current tax and the change in deferred taxes. The Group accounts for current and deferred taxation on the results for the period, in accordance with IAS 12 ("Income Taxes" Revised).

Provision is made in the financial statements for the Group's estimated liability to Turkish corporation tax on its results for the year. The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed.

Deferred tax assets and liabilities are recognized using the liability method in respect of material temporary differences arising from different treatment of items for accounting and taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are only provided to the extent if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled and charged or credited in the statement of income.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### v. **Employee Benefits / Retirement Pay Provision**

Employee benefits are provided to the Group employees such as bonuses, marriages, permission, incentive education. Moreover, under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined as net of an expected inflation rate and an appropriate discount rate.

#### y. **Retirement Plans**

None.

#### z. **Agricultural Activities**

None.

#### aa. **Cash Flow Statement**

To inform the users of financial statements on the change of net assets, financial structure of the Group and its ability to guide the amounts and timing of its cash flows according to changing conditions, Grup prepares cash flow statement as an indispensable part of its financial statements. Cash flows for the period are mainly reported as dependent to investment and financial operations of Group.

#### ab. **Adoption of New and Revised International Financial Reporting Standards**

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005 except effects which are conflicting in the obligated forms of the declaration dated 20 December 2004 by CMB.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 6	Explorations for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Evaluation of derivative instruments

The Group's management anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

## 4. CASH AND CASH EQUIVALENTS

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

	31 December 2005	31 December 2004
Time deposits	31.757.041	77.369.688
Demand deposits (*)	21.087.289	68.240.294
Cash	17.171	1.979
Other liquid assets	-	248
	<u>52.861.501</u>	<u>145.612.209</u>

(\*) 1.096.345 TRY of the demand deposits are blocked for December salary payments which was made on January 1st.

**Time Deposits**

<u>Currency Type</u>	Interest Rate (%)	Opening Date	Maturity Date	31 December 2005
EURO	3,05-3,25	07.12.2005	30.01.2006	26.354.671
USD	4,50	28.12.2005	27.01.2006	5.367.200
Accrued interest				35.170
				<u>31.757.041</u>

<u>Currency Type</u>	Interest Rate (%)	Opening Date	Maturity Date	31 December 2004
EURO	3,25	01.11.2004	28.02.2005	77.200.348
Accrued interest				169.340
				<u>77.369.688</u>

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 5. MARKETABLE SECURITIES

	31 December 2005	31 December 2004
Marketable securities for trading purposes:		
- Investment funds	-	526.363
	-	526.363

#### 6. BORROWINGS

	31 December 2005	31 December 2004
Short term bank loans	81.983.146	36.852.552
Current portion of long term bank loans	15.017.871	17.260.713
Total short term borrowings	97.001.017	54.113.265
Long term portion of long term bank loans	113.764.745	101.572.813
Total borrowings	210.765.762	155.686.078

Repayment periods of borrowings are as follows:

	31 December 2005	31 December 2004
Within one year	97.001.017	54.113.265
Between one and two years	17.629.513	14.940.253
Between two and three years	8.486.814	12.683.002
Between three and four years	5.694.114	9.542.121
After four years	81.954.304	64.407.437
	210.765.762	155.686.078

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 6. BORROWINGS (cont'd)

Short term borrowings are as follows:

		31 December 2005			31 December 2004		
Currency		Interest	Currency		Interest	Currency	
<u>Type</u>		<u>Rate %</u>	<u>Amount</u>	<u>TRY</u>	<u>Rate %</u>	<u>Amount</u>	<u>TRY</u>
USD	Cam Pazarlama	5,49-5,50	7.600.000	10.197.680	3,18-3,52	14.000.000	18.789.399
EURO	Cam Pazarlama	3,02-3,54	40.225.366	63.857.769	3,45-3,70	6.300.000	11.508.839
TRY	Cam Pazarlama	12,00-13,00	-	4.800.000	17-18	-	3.800.000
TRY	İş Bankası	13,00-15,00	-	2.000.000	17	-	715.000
TRY	İş Bankası	-	-	435.702	-	-	1.377.948
	Interest Accrual:			691.995			661.366
				<u>81.983.146</u>			<u>36.852.552</u>

Current portion of long term borrowings are as follows:

		31 December 2005			31 December 2004		
Currency		Interest	Currency		Interest	Currency	
<u>Type</u>		<u>Rate %</u>	<u>Amount</u>	<u>TRY</u>	<u>Rate %</u>	<u>Amount</u>	<u>TRY</u>
USD	IFC	8,06	1.665.714	2.235.055	8,06	3.331.429	4.471.112
USD	IFC	7,74-7,99	2.130.306	2.858.445	4,51-4,90	2.132.377	2.861.866
EURO	IFC	5,65-5,90	5.304.610	8.421.068	5,53-6,01	5.328.556	9.734.212
	Interest Accrual:			1.503.303			193.523
				<u>15.017.871</u>			<u>17.260.713</u>

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 6. BORROWINGS (cont'd)

Long term portion of long term borrowings are as follows:

		31 December 2005				31 December 2004			
Currency			Interest	Currency			Interest	Currency	
Type		<u>Maturity</u>	<u>Rate %</u>	<u>Amount</u>	<u>TRY</u>	<u>Maturity</u>	<u>Rate %</u>	<u>Amount</u>	<u>TRY</u>
EURO	IFC	2010	5,90	1.339.150	2.125.901	2010	4,75-6,01	11.406.220	20.836.883
EURO	IFC	2009	5,90	2.678.300	4.251.801				
EURO	IFC	2008	5,65-5,90	3.991.455	6.336.435	2008	5,53-5,76	7.212.145	13.175.147
EURO	IFC	2007	5,65-5,90	5.304.610	8.421.068				
EURO	IFC	2012	6 months EURIBOR +				6 months EURIBOR +		
			2,65	17.048.297	27.064.171	2012	2,65	10.336.277	18.882.310
EURO	IFC	2010	6 months EURIBOR +				6 months EURIBOR +		
			2,40	32.783.041	52.043.077	2010	2,40	19.663.774	35.921.783
USD	IFC	2010	7,99	537.454	721.155	2010	4,76 - 4,90	4.579.855	6.146.624
USD	IFC	2009	7,99	1.074.909	1.442.313				
USD	IFC	2008	7,74-7,99	1.602.608	2.150.379	2008	4,51-4,65	2.895.727	3.886.356
USD	IFC	2007	7,74-7,99	2.130.306	2.858.445				
USD	IFC	2006	-			2006	8,06	2.029.440	2.723.710
EURO	RABOBANK	2007	3,44	4.000.000	6.350.000				
					<u>113.764.745</u>				<u>101.572.813</u>

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 7. TRADE RECEIVABLES AND PAYABLES

	31 December 2005	31 December 2004
<u>Current Trade Receivables (Net)</u>		
Trade receivables	76.327.181	62.302.251
Notes receivables	7.710.411	9.742.952
Discount on notes receivables (-)	(1.088.381)	(286.789)
Deposits and guarantees given	25.888	2.679
Other trade receivables	-	-
	<u>82.975.099</u>	<u>71.761.093</u>
<u>Non-Current Trade Receivables (Net)</u>		
Deposits and guarantees given	<u>71.269</u>	<u>1.354</u>
	31 December 2005	31 December 2004
<u>Maturities of Notes Receivables</u>		
Within 30 days	5.655.036	7.076.052
between 31 and 60 days	1.962.564	2.501.300
between 61 and 90 days	92.811	165.600
between 91 and 120 days	-	-
	<u>7.710.411</u>	<u>9.742.952</u>
	31 December 2005	31 December 2004
<u>Trade Payables (Net)</u>		
Short term trade payables	19.435.093	13.703.165
Deposits and guarantees received	147.399	45.543
Notes payable	17.526	1.362
Discount on notes payable (-)	(127.744)	(133.325)
	<u>19.472.274</u>	<u>13.616.745</u>

#### 8. FINANCE LEASE RECEIVABLES AND OBLIGATIONS UNDER FINANCE LEASES

None.

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 9. DUE FROM/TO RELATED PARTIES

	31 December 2005	31 December 2004
<b><u>Trade receivables from related parties:</u></b>		
Cam Pazarlama	39.515.467	24.912.590
Camiş Sigorta	-	153.928
	<hr/> 39.515.467	<hr/> 25.066.518
<b><u>Other receivables from related parties:</u></b>		
Camiş Limited	19.222.371	8.345.613
Trakya Cam Investment BV	16.159.220	-
Trakya Cam Bulgaria EAD	4.785.306	-
Camiş Elektrik	3.669.385	830.638
Paşabahçe Cam	2.238.318	60.555
Camiş Madencilik	149.687	142.924
Çayırova Cam	149.532	19.049
Paşabahçe Eskişehir	76.248	99.842
Anadolu Sigorta	6.350	-
Oxyvit Kimya	247	-
Cam Elyaf	-	50.431
Anadolu Cam	-	2.661.149
Şişecam Holding	-	12.279.752
Cam Pazarlama	-	13.369
Soda Sanayii	-	1.763
Camiş Ambalaj	-	597
Discount (-)	(152.607)	(38.759)
	<hr/> 46.304.057	<hr/> 24.466.923
Total receivables from related parties	<hr/> 85.819.524	<hr/> 49.533.441

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**9. DUE FROM/TO RELATED PARTIES (cont'd)**

	31 December 2005	31 December 2004
<b><u>Trade payables to related parties:</u></b>		
Camiş Limited	4.552.508	7.667.326
Camiş Elektrik	2.258.891	942.211
Şişecam Holding	2.116.091	920.896
Cam Pazarlama	1.671.178	-
Camiş Lojistik	842.139	194.328
Soda Sanayii	642.359	521.113
Camiş Madencilik	559.877	455.791
Paşabahçe Cam	223.517	279.596
Şişecam Sigorta	219.902	-
Şişecam Bulgaria	30.675	-
Anadolu Cam	14.269	-
Camiş Ambalaj	1.564	1.309
Çayırova Cam	-	3.589.808
Camiş Sigorta	-	29.291
	<u>13.132.970</u>	<u>14.601.669</u>
<b><u>Other payables to related parties:</u></b>		
Paşabahçe Cam	17.957.636	20.856.792
Cam Pazarlama	8.197.343	7.112.306
Şişecam Holding	5.684.173	765.753
Anadolu Cam	5.383.143	-
Camiş Lojistik	2.664.082	1.627.633
Camiş Madencilik	1.517.259	1.085.274
Soda Sanayii	1.121.509	4.424.429
Cam Elyaf	592.502	13.292
Camiş Limited	153.172	1.566.227
Şişecam Sigorta	132.131	-
Çayırova Cam	106.535	4.402.915
Paşabahçe Mağazalar	7.125	9.897
Denizli Cam	923	11
Camiş Ambalaj	30	220
Camiş Elektrik	-	1.027.840
Camiş Sigorta	-	96.577
Discount (-)	(91.132)	(263.236)
Others	230.477	182.781
	<u>43.656.908</u>	<u>42.908.711</u>
Total payables to related parties	<u>56.789.878</u>	<u>57.510.380</u>

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**9. DUE FROM/TO RELATED PARTIES (cont'd)**

<b><u>Sales to related parties</u></b>	<b>2005</b>	<b>2004</b>
Cam Pazarlama	144.323.587	152.596.757
Paşabahçe Cam	2.328.184	46.805
Anadolu Cam	184.990	68.744
Denizli Cam	107.345	-
Paşabahçe Eskişehir	20.400	6.059
Çayırova Cam	124	86.189
	<b>146.964.630</b>	<b>152.804.554</b>
<b><u>Purchases from related parties</u></b>		
Soda Sanayii	36.233.151	33.867.330
Cam Pazarlama	35.852.255	30.121.460
Camiş Madencilik	30.875.529	26.434.143
Camiş Elektrik	19.924.664	19.351.339
Paşabahçe Cam	3.471.457	18.251
Çayırova Cam	79.199	20.206.462
Denizli Cam	30.454	-
Cam Elyaf	23.692	38.266
Anadolu Cam	19.729	9.741
Paşabahçe Mağazaları	3.485	2.271
Camiş Ambalaj	493	886
	<b>126.514.108</b>	<b>130.050.149</b>
<b><u>Interest income from / (expense to) related parties</u></b>		
Camiş Ltd.	948.600	298.708
Trakya Investment BV	250.253	-
Trakya Bulgaria EAD	78.997	-
Oxyvit Kimya	421	-
Denizli Cam	141	374
Cam Ambalaj	(54)	2.190
Paşabahçe Mağazaları	(522)	1.154
Ferro Döküm	(557)	34
Paşabahçe Eskişehir	(4.421)	29.017
Cam Elyaf	(25.385)	165.029
Anadolu Cam	(51.166)	224.936
Çayırova Cam	(211.402)	311.125
Camiş Madencilik	(227.370)	387.299
Paşabahçe Cam	(237.485)	105.887
Camiş Lojistik	(383.667)	108.871
Camiş Elektrik	(403.969)	350.906
Cam Pazarlama	(420.720)	1.767.092
Soda Sanayi	(553.443)	1.334.178
Şişecam Holding	(959.096)	820.135
	<b>( 2.200.845)</b>	<b>5.906.935</b>

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 9. DUE FROM/TO RELATED PARTIES (cont'd)

	<u>2005</u>	<u>2004</u>
<b><u>Service income</u></b>		
Paşabahçe Cam	693.136	752.501
Camiş Madencilik	104.609	93.451
Şişecam Holding	45.612	21.879
Camiş Elektrik	22.812	14.586
Anadolu Cam	17.562	38.137
	<u>883.731</u>	<u>920.554</u>
<b><u>Rent income</u></b>		
Paşabahçe Cam	204.325	223.732
Camiş Madencilik	182.090	176.713
	<u>386.415</u>	<u>400.445</u>
<b><u>Rent expense</u></b>		
Şişecam Holding	1.381.048	1.545.578
Çayırova Cam	480.469	556.349
Paşabahçe Cam	6.167	-
Cam Pazarlama	-	11.582
	<u>1.867.684</u>	<u>2.113.509</u>
<b><u>Service share paid</u></b>		
Şişecam Holding	9.056.881	8.859.246
Çayırova Cam	292.834	3.209.110
Camiş Lojistik	538.680	833.615
Camiş Madencilik	59.186	72.853
Camiş Elektrik	3.385	3.217
Cam Elyaf	25.422	-
	<u>9.976.388</u>	<u>12.978.041</u>
<b><u>Commissions paid</u></b>		
Camiş Lojistik	700.370	424.872
Cam Pazarlama	1.038.363	489.691
Şişecam Holding	810.224	167.986
	<u>2.548.957</u>	<u>1.082.549</u>

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 10. OTHER RECEIVABLES AND PAYABLES

	31 December 2005	31 December 2004
<b><u>Other Trade Receivables</u></b>		
VAT carried forward	3.109.389	583.419
Other receivables	563.763	153.633
Receivables from personnel	180.700	116.356
Doubtful receivables	238.831	238.831
Provision for doubtful receivables (-)	<u>(238.831)</u>	<u>(238.831)</u>
	<u>3.853.852</u>	<u>853.408</u>

#### 11. BIOLOGICAL ASSETS

None.

#### 12. INVENTORIES (NET)

	31 December 2005	31 December 2004
Raw materials	28.747.222	24.901.807
Finished goods	38.534.521	19.607.309
Work in progress	14.309.280	14.199.666
Advances given	946.217	1.121.684
Other inventories	479.665	300.278
Trade goods	61.493	4.657
Allowance for diminution in value of inventories (-)	<u>(6.985)</u>	<u>(170.409)</u>
	<u>83.071.413</u>	<u>59.964.992</u>

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 13. RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS AND PROGRESS COSTS

None.

#### 14. DEFERRED TAX ASSETS AND LIABILITIES

##### **Deferred Tax:**

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS.

The basis for the deferred tax is as follows:

	31 December 2005	31 December 2004
<u>Temporary differences subject to deferred tax:</u>		
Differences in valuation and amortization of tangible assets	359.785.636	368.877.993
Retirement pay provision	(26.149.654)	(23.986.752)
Non-real finance expenses	(1.386.861)	(745.091)
Restatement of inventories	652.384	(7.292.525)
Discount on receivables and payables	(914.217)	(1.015.776)
Accumulated losses	(5.003.711)	-
Income and expense accruals (net)	(91.746)	202.974
	<u>326.891.831</u>	<u>336.040.823</u>
<u>Deferred tax (assets) / liabilities:</u>		
Differences in valuation and amortization of tangible assets	107.725.358	110.663.398
Retirement pay provision	(7.843.760)	(7.196.026)
Non-real finance expenses	(416.058)	(223.527)
Restatement of inventories	195.715	(2.187.758)
Discount on receivables and payables	(274.265)	(304.733)
Accumulated losses	(750.557)	-
Income and expense accruals (net)	(27.524)	60.893
	<u>98.608.909</u>	<u>100.812.247</u>
<u>Deferred tax liability movement:</u>		
1 January, opening balance	100.812.247	100.072.986
Monetary Gain	-	(12.166.468)
Deferred tax (benefit) / expense	(2.203.338)	12.905.729
31 December, closing balance	<u>98.608.909</u>	<u>100.812.247</u>

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 15. OTHER CURRENT / LONG TERM ASSETS AND CURRENT / LONG TERM LIABILITIES

##### Other Current Assets

	31 December 2005	31 December 2004
Prepaid expenses	425.086	132.882
	<u>425.086</u>	<u>132.882</u>

##### Other Long Term Assets

	31 December 2005	31 December 2004
Prepaid expenses	22.840	59.437
	<u>22.840</u>	<u>59.437</u>

##### Other Short Term Liabilities

	31 December 2005	31 December 2004
Taxes and dues payable	2.811.148	2.584.331
Social security premiums payable	3.329.631	1.886.727
Payables to personel	1.326.797	1.409.170
Other payables	154.019	211.625
Expense accruals	112.497	571.439
Provisions	70.011	23.627
	<u>7.804.103</u>	<u>6.686.919</u>

##### Other Long Term Liabilities

	31 December 2005	31 December 2004
Taxes and dues payable	993.807	-
Deferred income	416.096	699.587
Deposits and guarantees received	31.535	17.338
	<u>1.441.438</u>	<u>716.925</u>

## TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

#### 16. FINANCIAL ASSETS (NET)

	Share %	31 December 2005	Share %	31 December 2004
<u>Equity participations</u>				
Çayırova Cam San. A.Ş. (*)	28,13	30.579.381	28,13	31.474.273
Camiş Elektrik A.Ş. (*)	34,43	32.256.540	34,43	30.937.133
<u>Available for sale investments</u>				
Cam Elyaf San. A.Ş. (*)	20,93	34.078.911	20,93	34.078.911
Paşabahçe Cam San. ve Tic. A.Ş.	7,11	31.422.804	7,11	31.422.804
Soda San. A.Ş. (**)	19,45	60.651.022	19,45	29.387.700
Camiş Madencilik A.Ş.	6,78	23.486.470	6,78	23.486.470
T. Şişe ve Cam Fabrikaları A.Ş. (**)	0,08	1.334.391	0,08	1.070.079
Cam Pazarlama A.Ş.	2,81	625.110	2,81	625.110
İstanbul Porselen San. A.Ş.	0,03	69.501	0,03	69.501
		<u>214.504.130</u>		<u>182.551.981</u>
Valuation allowances (***)		<u>( 12.008.152)</u>		<u>(12.916.398)</u>
Net		<u>202.495.978</u>		<u>169.635.583</u>

(\*) Çayırova Cam ve Camiş Elektrik have been accounted by using equity method in the accompanying financial statements. Cam Elyaf San. A.Ş. is under control of Şişecam Holding. The Group does not have any significant influence over this entity or an interest in the voting rights. Therefore, this entity has not been accounted by using equity method in the financial statements and shown with the inflation adjusted cost.

(\*\*) The shares of the Company are publicly traded at İstanbul Stock Exchange (ISE).

(\*\*\*) Valuation allowances, was recorded as a result of the comparison of the restated cost values of Camiş Madencilik A.Ş. ve İstanbul Porselen San. A.Ş and their financial statements prepared in accordance with IFRS.

#### 17. POSITIVE/NEGATIVE GOODWILL

None.

#### 18. INVESTMENT PROPERTY (NET)

None.

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**19. TANGIBLE ASSETS (NET)**

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Other Tangible Assets</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Acquisition cost</u>									
Opening balance, 1 January 2005	10.342.374	28.928.101	241.346.274	892.488.456	2.851.660	63.083.795	5.615.231	3.661.888	1.248.317.779
Disposal of subsidiary	(242.243)	-	(11.076)	-	-	(32.082)	-	(6.910)	(292.311)
Foreign currency translation effect	(74.499)	-	(3.832)	-	-	(9.343)	-	(2.112)	(89.786)
Additions	10.303	357.159	16.303.412	53.644.780	1.545.291	5.586.044	1.217.504	745	78.665.238
Disposals	-	-	(13.788)	(33.168.912)	(70.198)	(525.571)	(564.015)	(16.582)	(34.359.066)
Closing balance, 31 December 2005	10.035.935	29.285.260	257.620.990	912.964.324	4.326.753	68.102.843	6.268.720	3.637.029	1.292.241.854
<u>Accumulated depreciation</u>									
Opening balance, 1 January 2005	-	(5.941.878)	(46.473.390)	(471.008.768)	(1.820.983)	(53.171.319)	(3.296.945)	(2.970.623)	(584.683.906)
Disposal of subsidiary	-	-	-	-	-	3.436	-	923	4.359
Foreign currency translation effect	-	-	-	-	-	805	-	282	1.087
Charge for the year	-	(589.715)	(5.039.259)	(51.236.220)	(375.143)	(2.285.219)	(485.704)	(176.977)	(60.188.237)
Disposals	-	-	1.701	32.534.391	25.545	445.835	36.193	-	33.043.665
Closing balance, 31 December 2005	-	(6.531.593)	(51.510.948)	(489.710.597)	(2.170.581)	(55.006.462)	(3.746.456)	(3.146.395)	(611.823.032)
Construction in progress and advances given – 31 December 2005									107.053.246
Net book value as of 31 December 2005	10.035.935	22.753.667	206.110.042	423.253.727	2.156.172	13.096.381	2.522.264	490.634	787.472.068
Construction in progress and advances given – 31 December 2004									36.892.374
Net book value as of 31 December 2004	10.342.374	22.986.223	194.872.884	421.479.688	1.030.678	9.912.476	2.318.286	691.265	700.526.248

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**19. TANGIBLE ASSETS (NET) (cont'd)**

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Other Tangible Assets</u>	<u>Leasehold Improvements</u>	<u>Toplam</u>
<u>Acquisition cost</u>									
Opening balance, 1 January 2004	9.534.440	28.081.338	229.540.099	839.525.592	3.370.582	61.425.480	5.271.561	3.619.134	1.180.368.226
Additions (*)	807.934	846.763	11.806.175	54.794.025	337.609	1.943.599	343.670	42.754	70.922.529
Disposals	-	-	-	(1.831.161)	(856.531)	(285.284)	-	-	(2.972.976)
Closing balance, 31 December 2004	10.342.374	28.928.101	241.346.274	892.488.456	2.851.660	63.083.795	5.615.231	3.661.888	1.248.317.779
<u>Accumulated depreciation</u>									
Opening balance, 1 January 2004	-	(5.378.695)	(41.862.982)	(425.445.783)	(2.246.748)	(51.342.256)	(2.863.818)	(2.793.221)	(531.933.503)
Charge for the year	-	(563.183)	(4.610.408)	(47.269.888)	(330.219)	(2.112.902)	(433.127)	(177.402)	(55.497.129)
Disposals	-	-	-	1.706.903	755.985	283.839	-	-	2.746.727
Closing balance, 31 December 2004	-	(5.941.878)	(46.473.390)	(471.008.768)	(1.820.982)	(53.171.319)	(3.296.945)	(2.970.623)	(584.683.905)
Construction in progress and advances given - 31 December 2004									36.892.374
Net book value as of 31 December 2004	10.342.374	22.986.223	194.872.884	421.479.688	1.030.678	9.912.476	2.318.286	691.265	700.526.248
Construction in progress and advances given - 31 December 2003									5.132.811
Net book value as of 31 December 2003	9.534.440	22.702.643	187.677.117	414.079.809	1.123.834	10.083.224	2.407.743	825.913	653.567.534

(\*) TRY 699.722 of the land purchases amounting to TRY 807.934 has been granted to the Company by the Bulgarian Government for the purpose of the construction of the glass factory of Trakya Glass Bulgaria EAD.

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**20. INTANGIBLE ASSETS (NET)**

	<u>Rights</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<u>Acquisition cost</u>			
Opening balance, 1 January 2005	3.487.225	1.533	3.488.758
Additions	510.201	88.895	599.096
Disposals	<u>(70.147)</u>	<u>-</u>	<u>(70.147)</u>
Closing balance, 31 December 2005	3.927.279	90.428	4.017.707
<u>Accumulated depreciation</u>			
Opening balance, 1 January 2005	(2.240.038)	(1.526)	(2.241.564)
Charge for the year	(214.228)	(23.352)	(237.580)
Disposals	<u>10.729</u>	<u>-</u>	<u>10.729</u>
Closing balance, 31 December 2005	(2.443.537)	(24.878)	(2.468.415)
Net book value, as of 31 December 2005	<u>1.483.742</u>	<u>65.550</u>	<u>1.549.292</u>
Net book value, as of 31 December 2004	<u>1.247.187</u>	<u>7</u>	<u>1.247.194</u>
<u>Acquisition cost</u>			
Opening balance, 1 January 2004	2.904.511	1.533	2.906.044
Additions	582.714	-	582.714
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance, 31 December 2004	3.487.225	1.533	3.488.758
<u>Accumulated depreciation</u>			
Opening balance, 1 January 2004	(2.076.609)	(1.449)	(2.078.058)
Charge for the year	(163.429)	(77)	(163.506)
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance, 31 December 2004	(2.240.038)	(1.526)	(2.241.564)
Net book value, as of 31 December 2004	<u>1.247.187</u>	<u>7</u>	<u>1.247.194</u>
Net book value, as of 31 December 2003	<u>827.902</u>	<u>84</u>	<u>827.986</u>

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**21. ADVANCES RECEIVED**

	31 December 2005	31 December 2004
Advances received	<u>538.143</u>	<u>1.384.063</u>

**22. RETIREMENT PLANS**

None.

**23. PROVISIONS**

**Short term provisions**

	31 December 2005	31 December 2004
Provision for corporate tax	33.584.344	30.995.205
Prepaid taxes and funds	<u>(24.128.211)</u>	<u>(13.539.760)</u>
	<u>9.456.133</u>	<u>17.455.445</u>
<b><u>Tax provision</u></b>		
Corporate tax provision	33.584.344	30.995.205
Deferred tax (benefit) / charge	<u>(2.203.338)</u>	<u>12.905.729</u>
	<u>31.381.006</u>	<u>43.900.934</u>

**Long term provisions**

Retirement pay provisions:

Under Turkish law, the Group is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The retirement pay provision ceiling as of 31 December 2005 is TRY 1.727,15 (31 December 2004: TRY 1.574,74).

For the year 1999, IAS 19 (Revised) “Employee Benefits” became applicable for the first time. Although not changing the fundamental principles involved, the revised standard made clearer the obligation to consider the issues related to accounting for a future benefit:

- An expected inflation rate and an appropriate discount rate should both be determined, the net of these being the real discount rate. This real discount rate should be used to discount future retirement payments to their present value at the balance sheet date.
- The anticipated rate of forfeitures should be considered.

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**23. PROVISIONS(cont'd)**

**Long term provisions (cont'd)**

Consequently, in the accompanying financial statements as at 31 December 2005 , the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 6.175% and a discount rate of 12 %.

	31December 2005	31 December 2004
Provision at January 1	23.986.752	23.350.667
Charge for the year	6.500.901	6.869.136
Compensations paid	(4.337.348)	(3.394.171)
Monetary gain	-	(2.838.880)
Provision at December 31	<u>26.150.305</u>	<u>23.986.752</u>

**24. MINORITY INTEREST**

	31 Aralık 2005	31 Aralık 2004
Opening balance	-	-
Change in minority shares during the year	3.007.500	-
Minority share on operating results	61.259	-
Closing balance	<u>3.068.759</u>	<u>-</u>

**25. CAPITAL / ADJUSTMENT TO SHARE CAPITAL**

Shareholder structure as of 31 December 2005 and 31 December 2004 as follows;

<u>Shareholders</u>	<u>(%)</u>	31 December		31 December	
		<u>2005</u>	<u>(%)</u>	<u>2004</u>	
T.Şişe ve Cam Fabrikaları A.Ş.	60,83	138.451.870	60,83	138.451.870	
Cam Pazarlama A.Ş.	5,85	13.308.652	5,85	13.308.652	
IFC	0,07	150.000	1,74	3.957.519	
Other	33,25	75.689.478	31,58	71.881.959	
Historical capital	100,00	<u>227.600.000</u>	100,00	<u>227.600.000</u>	
Inflation adjustment		<u>130.496.942</u>		<u>130.496.942</u>	
Restated capital		<u>358.096.942</u>		<u>358.096.942</u>	

The Company's share capital consists of 22.760.000.000 shares. (2004: 22.760.000.000).

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**26, 27, 28. RESERVES AND RETAINED EARNINGS / LOSSES**

Retained earnings in the statutory tax financial statements can be distributed as dividends other than judgements related to legal reserves described below:

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions, however holding companies are not subject to this application. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses.

Publicly held companies distribute dividends based on the CMB regulations explained below:

According to Bulletin 15, Article 399 of CMB Communiqué No:25 of Series XI, ‘accumulated losses’ arising from the initial application of the inflation accounting, should be taken into account as a deduction while determining the distributable profit. ‘Accumulated losses’ should be offset with the following components of shareholders’ equity; current year income, if applicable, unappropriated prior year income, and remaining losses from the incremental effect of the inflation adjustment to extraordinary reserves, legal reserves and share capital, respectively.

In accordance with the Communiqué XI/25, effective from 1 January 2004, companies are obliged to distribute at least 30% of their distributable profit arising from 2005 activity, which is calculated based on the financial statements prepared in accordance with IFRS. Based on the decision of the General Assembly, the distribution of a minimum of 30% of the distributable profit can be made as cash or as bonus share or as a combination of a certain percentage of cash and bonus shares. However, if the first dividend amount is less than 5% of paid capital, point at issue amount does not distributed and leave in consortium structure.

The profit amount which is included in calculation of net distributable profit in the consolidated financial statements and which also affects subsidiaries, joint ventures and shareholdings are not recognized.

According to the CMB’s Communiqués No:25 and No:21 of Series XI, if subsidiaries, joint ventures and associates that are included in consolidation have concluded share distribution in their board meetings, within the context of the financial statements prepared in accordance with recent adjustments relating to such entities, , as profit upper limit referred to the consolidated financial statements of main partnerships, depending upon the distribution of earnings taken in the Board Minute, the amount of profit that will be transferred to the main partnerships from enterprises are taken into account in the distributable earnings within the main partnerships.

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**26, 27, 28. RESERVES AND RETAINED EARNINGS / LOSSES (cont'd)**

Besides, according to Capital Market Board Decision, dated as 25 February 2005, numbered 7/242, the distributable amount should be determined in compliance with the arrangements made by Capital Market Board about the minimum obliged distributable amount and whole of the calculated amount of earnings in the case met with the profit per statutory books, otherwise the distributable amount in statutory books is distributed. In the case there is a loss in financial statements prepared in accordance with CMB standards or loss per statutory books, no profit distribution is made.

In accordance with the Communiqué XI/25, 'capital, emission premium, legal reserves, statutory reserves, special reserves and extraordinary reserves' under shareholders equity are stated with their registered amounts in the balance sheet on the face of inflation adjusted financial statements, and their adjusted amounts are presented in total in shareholders' equities under "Inflation adjustment of equity items".

**CAPITAL RESERVES**

	31 December 2005	31 December 2004
Revaluation fund on financial assets	41.459.170	9.931.570
Inflation adjustment of equity items	<u>130.496.942</u>	<u>130.496.942</u>
	<u>171.956.112</u>	<u>140.428.512</u>

**PROFIT RESERVES**

	31 December 2005	31 December 2004
Legal reserves	118.537.922	108.116.487
Extraordinary reserves	57.322.825	48.223.565
Other capital reserves	<u>314.567</u>	<u>(11.847)</u>
	<u>176.175.314</u>	<u>156.328.205</u>

**RETAINED EARNINGS / ACCUMULATED LOSSES**

As of 31 December 2005, retained earnings in the balance sheet is TRY 207.865.865.

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**29. FOREIGN CURRENCY POSITION**

	<u>USD</u>	<u>EURO</u>	<u>GBP</u>	<u>BGN</u>	<u>TRY</u> <u>Equivalent</u>
<u>31 December 2005</u>					
Cash and cash equivalents	4.067.294	28.198.383	25.314	799.582	50.929.958
Trade receivables	26.605	173.368	-	672.419	856.707
Due from related parties	-	23.243.692	-	-	36.899.361
Other current assets	-	9.400.000	-	-	14.922.500
Bank loans	(16.885.436)	(113.436.218)	-	-	(202.736.874)
Due to related parties	-	(1.294.168)	-	-	(2.054.492)
Other payables and liabilities	(261.114)	(107.315)	-	-	(520.725)
Trade payables	(288.020)	(889.481)	(8.884)	(1.842.965)	(3.314.948)
Net foreign currency position	<u>(13.340.671)</u>	<u>(54.711.739)</u>	<u>16.430</u>	<u>(370.964)</u>	<u>(105.018.513)</u>

	<u>USD</u>	<u>EURO</u>	<u>GBP</u>	<u>BGN</u>	<u>TRY</u> <u>Equivalent</u>
<u>31 December 2004</u>					
Cash and cash equivalents	3.581.101	42.136.842	80.124	64.349.000	142.091.986
Trade receivables	-	-	-	-	-
Due from related parties	396.469	25.980.507	-	699.000	48.646.176
Other current assets	-	4.411	-	627.000	593.694
Bank loans	(28.605.102)	(60.246.973)	-	-	(148.450.078)
Due to related parties	-	(786.705)	-	(2.481.000)	(3.754.476)
Advances received	(6.795)	(650)	-	-	(10.307)
Other payables and liabilities	(9.500)	(64.570)	-	-	(130.706)
Trade payables	-	(79.420)	(2.440)	(3.820.000)	(3.719.358)
Net foreign currency position	<u>(24.643.827)</u>	<u>6.943.442</u>	<u>77.684</u>	<u>59.374.000</u>	<u>35.266.931</u>

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**30. GOVERNMENT GRANTS AND INCENTIVES**

Benefits obtained through government grants and incentives are explained in detail in note 3.

**31. COMMITMENTS AND CONTINGENCIES**

	31 December 2005	31 December 2004
Bails given (*)	64.325.318	61.111.753
Letters of guarantees given	676.022	1.331.382
	<u>65.001.340</u>	<u>62.443.135</u>

Total exposure of ongoing legal cases opened against the group as of 31 December 2005 is about TRY 25.541. (31 December 2004: TRY 16.872).

The Company is jointly and severally guarantor on USD 70 Million of Trakya Glass Bulgaria EAD's USD 100 Million investment loan, USD 35 Million and USD 65 Million of which is provided by IFC and syndication formed by a group of international banks with IFC leadership, respectively.

(\*)These are the bails given for the loans used by Şişecam Group:

Subscription agreement:

On 25 June 2004 Trakya Glass Bulgaria EAD concluded an agreement with IFC (the Subscription Agreement). The subject of the Subscription Agreement includes the right of the Company to request IFC to subscribe and pay for, in US dollars, such number of common shares of par value BGN 1.000 each as shall approximately equal to the price of USD 7.500.000 (IFC Stake). Moreover, IFC may at any time and from time to time, at its discretion and without the Company's request, subscribe and pay for any or all of the IFC Stake.

Share Holding and Repayment Agreement:

On 25 June 2004, IFC, Trakya Glass Bulgaria EAD, Trakya Cam Sanayii A.Ş., Trakya Investment BV and Paşabahçe Cam Sanayii A.Ş concluded an agreement.

Trakya Cam Sanayii A.Ş., individually or collectively with Pasabahçe Cam Sanayii A.Ş., shall maintain, ownership of at least 75% of the share capital of Trakya Cam Investment B.V. Trakya Cam Investment B.V. individually shall maintain, legal and beneficial ownership in the aggregate of at least 75% of the share capital of Trakya Glass Bulgaria EAD.

The IFC loan, interest and other expenses' payments has priority over the payments related with the technical service agreement signed among Trakya Cam Sanayii A.Ş., Trakya Glass Bulgaria ve Paşabahçe Cam Sanayii A.Ş. Moreover, the dividend payment of Bulgaria EAD, the possibility of making additional investment expenses and leasing agreements are possible after a certain period of time passes and foredesignated financial ratios are achieved.

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**32. BUSINESS COMBINATIONS**

There is no business combination during the year.

**33. SEGMENTAL REPORTING**

Since the group operates in one industry, no segmental reporting is made.

**34. EVENTS AFTER THE BALANCE SHEET DATE**

In its meeting held on 16 January 2006, the board has decided to increase its participation share in Trakya Cam Investment B.V., a subsidiary of Trakya Cam Sanayi A.Ş. with a 70 % share, from Euro 8.4 million to Euro 42 million due to capital increase of Trakya Cam Investment B.V.

The oven of flat glass factory in Targovishte, Bulgaria was fired on 20 February 2006. It will be heated gradually and will start production at the end of March.

The retirement pay ceiling which is TRY 1.727,15 as of 31 December 2005, has been increased to TRY 1.770,62 starting from 1 January 2006.

**35. DISCONTINUED OPERATIONS**

None.

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**36. OPERATING INCOME**

<b>NET SALES</b>	<u>2005</u>	<u>2004</u>
Domestic sales	516.664.078	491.125.224
Export sales (*)	146.309.235	139.699.306
Sales discounts	(42.586.725)	(33.372.331)
Other discounts	(32.932.844)	(33.856.979)
Sales returns	(2.084.614)	(1.861.102)
Other income	21.461	8.134
	<u>585.390.591</u>	<u>561.742.252</u>

(\*) Export Sales includes export sales of the company and sales of subsidiaries located in foreign countries.

<b>COST OF SALES</b>	<u>2005</u>	<u>2004</u>
Raw materials consumed	(248.280.968)	(198.917.118)
Depreciation of production facilities	(49.025.962)	(48.283.959)
Production overheads	(36.014.312)	(38.205.003)
Direct labor attributable to production	(34.929.088)	(30.495.887)
Change in work in progress inventories	109.614	3.077.173
Change in finished goods inventories	18.927.212	(17.354.572)
Cost of products sold	<u>(349.213.504)</u>	<u>(330.179.366)</u>
Cost of merchandises sold	(20.248.006)	(20.865.634)
	<u>(369.461.510)</u>	<u>(351.045.000)</u>

**37. OPERATING EXPENSES**

	<u>2005</u>	<u>2004</u>
General administrative expenses	(51.776.573)	(44.410.097)
Marketing , selling and distribution expenses	(33.879.290)	(31.363.260)
Research and development expenses	(6.744.123)	(4.892.546)
	<u>(92.399.986)</u>	<u>(80.665.903)</u>

Note: In the period of 01.01.-31.12.2005, TRY 4.961.280 of marketing, selling and distribution expenses and TRY 6.438.575 of general administrative expenses are composed of depreciation expenses.

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**38. OTHER INCOME/EXPENSE AND PROFIT/LOSSES**

	<u>2005</u>	<u>2004</u>
Dividend income	1.794.787	3.125.616
Income from subsidiaries consolidated by equity method (*)	1.995.749	4.589.638
Interest income	4.449.980	6.947.806
Commission income	644.134	487.269
Provision expense / provisions released	2.019.968	(300.222)
Foreign exchange gain	31.876.412	35.060.125
Discount income	388.348	831.120
Other income and profits	8.041.254	7.413.501
Previous period income and profit	217.615	1.362.450
	<u>51.428.247</u>	<u>59.517.303</u>

	<u>2005</u>	<u>2004</u>
Idle capacity expense	(754.272)	(5.382.039)
Commission expense	(1.114.299)	(15.498)
Foreign exchange loss	(31.868.387)	(17.369.799)
Discount expense	(107.895)	(368.384)
Previous period loss and expenses	(24.076)	(285.060)
Other expenses and losses	(5.543.134)	(6.600.787)
	<u>(39.412.063)</u>	<u>(30.021.567)</u>

<u>(*) Effect of equity method consolidation</u>	<u>2005</u>	<u>2004</u>
Camiş Elektrik	1.319.368	3.129.371
Çayırova Cam	676.381	1.460.267
	<u>1.995.749</u>	<u>4.589.638</u>

**39. FINANCE EXPENSES (NET)**

	<u>2005</u>	<u>2004</u>
Short term borrowing costs	(13.553.929)	(27.921.128)
Long term borrowing costs	(7.624.158)	(205.263)
	<u>(21.178.087)</u>	<u>(28.126.391)</u>

**40. NET MONETARY GAIN / LOSS**

Net monetary gain / loss is not calculated since the application of inflation accounting has been ceased as of 1 December 2005.

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**41. TAXES**

Corporate Tax:

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective corporate tax rates are 30% for 2005 and 33% for 2004.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2005 and following years is 30% (2004: 33%).

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within 15 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any investment allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

Tax provisions as of 31 December 2005 and 31 December 2004 are as follows:

<u>Provision for taxes:</u>	<u>2005</u>	<u>2004</u>
Current year corporate tax provision	33.584.344	30.995.205
Deferred tax (benefit) / charge	(2.203.338)	12.905.729
Taxation per income statement	<u>31.381.006</u>	<u>43.900.934</u>

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**41. TAXES (cont'd)**

	01.01.2005- 31.12.2005	01.01.2004- 31.12.2004
<u>Reconciliation of taxation:</u>		
Profit before taxation and minority interest	114.367.192	146.816.707
Effective tax rate	%30	%33
Taxation calculated	34.310.158	48.449.513
<u>Tax effects of:</u>		
-non deductible expenses	1.495.077	1.726.667
-dividends and other non taxable income	(1.460.934)	(1.829.078)
-investment incentives	(3.275.068)	(8.503.654)
-monetary gain/loss not taxable/deductable	2.137.230	4.880.163
-consolidation adjustments	(1.825.457)	(822.677)
Taxation per income statement	<u>31.381.006</u>	<u>43.900.934</u>

**42. EARNINGS PER SHARE**

Current year earnings per share is calculated by considering the effect of paid and non-paid share issues, in accordance with IAS 33.

Weighted average number of shares and earnings per share(1 TRY per share) for the year ended 31 December 2005 are as follows:

	31December 2005	31 December 2004
Number of outstanding shares as of 1 January	22.760.000.000	22.760.000.000
Non-paid shares issued	-	-
Paid shares issued	-	-
Number of outstanding shares as of 31 December	<u>22.760.000.000</u>	<u>22.760.000.000</u>
Weighted average number of outstanding shares (1TRY /share)	22.760.000.000	22.760.000.000
Net profit	<u>82.924.927</u>	<u>102.915.773</u>
Earnings per share(1 TRY per share)	<u>0,364</u>	<u>0,452</u>

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated)

**43. CASH FLOW STATEMENT**

Cash flow statement is presented with financial statements.

Change in working capital:

Change in current assets and short term liabilities:	<u>2005</u>	<u>2004</u>
Due from related parties	(36.286.083)	25.497.056
Inventories	(22.942.997)	5.027.437
Trade receivables	(11.214.006)	3.985.942
Other current assets	(3.291.986)	(257.300)
Due to related parties	(720.502)	3.441.792
Trade payables	5.855.529	(6.853.103)
Advances received	(845.920)	(1.199.100)
Other liabilities	1.117.184	(10.219.122)
	<u>(68.328.781)</u>	<u>19.423.602</u>

Change in other investment activities:

Change in non-current assets and long term liabilities:	<u>2005</u>	<u>2004</u>
Long term trade receivables	(69.915)	187
Other non-current assets	36.597	(59.438)
Long term trade payables	-	2.012
Other liabilities	724.513	692.568
	<u>691.195</u>	<u>635.329</u>

**44. OTHER MATTERS THAT AFFECTS FINANCIAL STATEMENTS SIGNIFICANTLY OR THAT SHOULD BE EXPLAINED TO MAKE FINANCIAL STATEMENTS CLEAR, UNDERSTANDABLE AND INTERPRETABLE.**

None.