

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

CONSOLIDATED FINANCIAL
STATEMENTS AS OF
31 DECEMBER 2006

*TRANSLATED INTO ENGLISH FROM
THE ORIGINAL TURKISH REPORT*

**CONVENIENCE TRANSLATION OF THE REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Trakya Cam Sanayii A.Ş. (the "Company") and its subsidiaries (together the "Group") comprising the consolidated balance sheet as of 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards published by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards published by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We did not audit the financial statements of the joint venture, Trakya Glass Bulgaria EAD located in Bulgaria, which reflect total assets constituting 13% of the consolidated total assets as of 31 December 2006, and total revenues constituting 13% of consolidated total revenues for the period then ended. Those statements were audited by another auditor whose report has been furnished to us, and our audit, insofar as it relates to the amounts included for Trakya Glass Bulgaria EAD are based solely on the report of the other auditor.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Trakya Cam Sanayii A.Ş. and its subsidiaries as of 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting standards published by the Capital Markets Board.

Istanbul, 13 March 2007

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

Hüseyin Gürer
Partner

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TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2006 AND 31 DECEMBER 2005

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

ASSETS	Note	31 December 2006	31 December 2005
Current Assets		405.628.494	309.006.475
Cash and cash equivalents	4	115.961.847	52.861.501
Marketable securities (net)	5	-	-
Trade receivables (net)	7	114.408.581	82.975.099
Finance lease receivables (net)	8	-	-
Due from related parties (net)	9	50.552.899	85.819.524
Other receivables (net)	10	12.318.513	3.853.852
Biological assets (net)	11	-	-
Inventories (net)	12	110.596.288	83.071.413
Receivables from ongoing construction contracts (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	1.790.366	425.086
Non – Current Assets		1.120.473.230	992.449.043
Trade receivables (net)	7	85.457	71.269
Finance lease receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	131.114.175	202.495.978
Goodwill (net)	17	-	-
Investment property (net)	18	-	-
Tangible assets (net)	19	968.298.515	787.472.068
Intangible assets (net)	20	1.710.228	1.549.292
Deferred tax assets (net)	14	19.264.855	837.596
Other long term assets	15	-	22.840
Total Assets		1.526.101.724	1.301.455.518

Financial statements of the Company were approved by the Board of Directors on 13 March 2007, 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 SHEETS AS OF
31 DECEMBER 2006 AND 31 DECEMBER 2005

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

LIABILITIES	Note	31 December 2006	31 December 2005
Current Liabilities		243.251.017	191.061.548
Short term borrowings (net)	6	114.334.539	81.983.146
Short term portions of long term borrowings (net)	6	37.580.367	15.017.871
Obligations under finance leases (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	32.565.629	19.472.274
Due to related parties (net)	9	34.342.810	56.789.878
Advances received	21	3.960.241	538.143
Progress costs of ongoing construction contracts (net)	13	-	-
Provisions	23	7.686.894	9.456.133
Deferred tax liability	14	-	-
Other liabilities (net)	15	12.780.537	7.804.103
Non – Current Liabilities		290.641.565	240.802.993
Long term borrowings (net)	6	198.919.899	113.764.745
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	26.769.142	26.150.305
Deferred tax liability	14	64.463.692	99.446.505
Other liabilities (net)	15	488.832	1.441.438
Minority Interest	24	12.492.726	3.068.759
SHAREHOLDERS' EQUITY		979.716.416	866.522.218
Capital	25	293.226.184	227.600.000
Adjustment to Share Capital	25	-	-
Capital reserves	26	131.784.460	171.956.112
Premium in excess of par		-	-
Gain on cancellation of equity shares		-	-
Revaluation reserve		-	-
Revaluation reserve for financial assets		1.287.518	41.459.170
Inflation adjustment of equity items		130.496.942	130.496.942
Profit reserves	27	208.703.543	176.175.314
Legal reserves		128.348.514	118.537.922
Statutory reserves		-	-
Extraordinary reserves		71.957.363	57.322.825
Special reserves		-	-
Gains from sales of tangible and financial assets transferable to capital		-	-
Foreign Currency Translation Adjustments		8.397.666	314.567
Net Profit for the Period		144.522.567	82.924.927
Retained Earnings	28	201.479.662	207.865.865
Total Shareholders' Equity and Liabilities		1.526.101.724	1.301.455.518

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 31 DECEMBER 2005**

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

INCOME STATEMENT	Note	1 January- 31 December 2006	1 January- 31 December 2005
OPERATING INCOME			
Sales revenue (net)	36	713.516.095	585.390.591
Cost of sales (-)	36	(448.615.796)	(369.461.510)
Other operating income / interest+dividend+rent (net)	36	-	-
GROSS OPERATING PROFIT		264.900.299	215.929.081
Operating expenses (-)	37	(116.621.050)	(92.399.986)
NET OPERATING PROFIT		148.279.249	123.529.095
Other operating income and profits	38	15.096.933	14.713.507
Other operating expense and losses (-)	38	(31.284.325)	(7.435.781)
Finance expenses (-)	39	(13.421.674)	(16.439.629)
OPERATING PROFIT		118.670.183	114.367.192
Net monetary gain / loss	40	-	-
MINORITY INTEREST	24	(401.467)	(61.259)
PROFIT BEFORE TAXATION		118.268.716	114.305.933
Taxation	41	26.253.851	(31.381.006)
NET PROFIT FOR THE PERIOD		144.522.567	82.924.927
EARNINGS PER SHARE	42	0,493	0,283

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2006 AND 31 DECEMBER 2005

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

	<u>Capital</u>	<u>Revaluation Reserve for Financial Assets</u>	<u>Inflation Adjustment of Equity Items</u>	<u>Legal Reserves</u>	<u>Extra-ordinary Reserves</u>	<u>Gains from Sales of Tangible and Financial Assets Transferable to Capital</u>	<u>Foreign Currency Translation Reserve</u>	<u>Retained Earnings</u>	<u>Net Profit for the Period</u>	<u>Total</u>
Balance as of 1 January 2005	227.600.000	9.931.570	130.496.942	108.116.487	48.223.565	-	(11.847)	194.726.160	102.915.773	821.998.650
Transfers	-	-	-	10.421.435	9.099.260	-	-	12.839.078	(32.359.773)	-
Dividends paid	-	-	-	-	-	-	-	-	(70.556.000)	(70.556.000)
Disposal of subsidiary	-	-	-	-	-	-	-	300.627	-	300.627
Change in fair value of available for sale assets	-	31.527.600	-	-	-	-	-	-	-	31.527.600
Foreign currency translation effect	-	-	-	-	-	-	326.414	-	-	326.414
Net profit for the period	-	-	-	-	-	-	-	-	82.924.927	82.924.927
Balance as of 31 December 2005	<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>-</u>	<u>314.567</u>	<u>207.865.865</u>	<u>82.924.927</u>	<u>866.522.218</u>
Transfers	-	-	-	9.810.592	14.634.538	-	-	(6.386.203)	(18.058.927)	-
Dividends paid	-	-	-	-	-	-	-	-	(64.866.000)	(64.866.000)
Increase in value of financial assets within the period prior to sales	-	25.454.532	-	-	-	-	-	-	-	25.454.532
Sales of financial assets	-	(65.626.184)	-	-	-	65.626.184	-	-	-	-
Capital increase	65.626.184	-	-	-	-	(65.626.184)	-	-	-	-
Foreign currency translation effect	-	-	-	-	-	-	8.083.099	-	-	8.083.099
Net profit for the period	-	-	-	-	-	-	-	-	144.522.567	144.522.567
Balance as of 31 December 2006	<u>293.226.184</u>	<u>1.287.518</u>	<u>130.496.942</u>	<u>128.348.514</u>	<u>71.957.363</u>	<u>-</u>	<u>8.397.666</u>	<u>201.479.662</u>	<u>144.522.567</u>	<u>979.716.416</u>

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 31 DECEMBER 2005

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

	Note	1 January- 31 December 2006	1 January- 31 December 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		144.522.567	82.924.927
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation of tangible assets	19	68.826.447	60.188.237
Amortization of intangible assets	20	464.414	237.580
Diminution in value of tangible assets	19	6.916.937	-
Equity pick-up (income) / loss recognized		9.213.934	(424.549)
Diminution in value of financial assets	16	2.661.371	(908.246)
Accrued exchange losses and interest on borrowings		(5.648.064)	(2.220.173)
Changes in retirement pay provision	23	4.548.992	6.500.901
Changes in allowances for doubtful receivables	7	147.742	-
Changes in other provisions		23.644	(163.424)
Accrued taxation		(26.253.851)	31.381.006
Operating cash flows provided before changes in working capital		205.424.133	177.516.259
Changes in working capital:			
Due from related parties		35.266.625	(36.286.083)
Inventories		(27.524.875)	(22.942.997)
Trade receivables		(31.581.224)	(11.214.006)
Other receivables and current assets		(9.829.941)	(3.291.986)
Due to related parties		(22.447.068)	(720.502)
Trade payables		13.093.355	5.855.529
Advances received		3.422.098	(845.920)
Other liabilities		4.952.790	1.117.184
Cash used in operations		(34.648.240)	(68.328.781)
Taxes paid		(28.900.701)	(41.583.656)
Retirement payments	23	(3.930.155)	(4.337.348)
Net cash provided by operating activities		137.945.037	63.266.474
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		8.469.803	4.414.810
Changes in financial assets		19.400.117	526.363
Purchases of tangible assets	19	(257.385.549)	(148.449.459)
Purchases of intangible assets	20	(614.766)	(599.096)
Net book value of tangible assets disposed	19	8.570.677	1.315.401
Net book value of intangible assets disposed	20	-	59.418
Change in translation reserve		227.526	326.414
Disposal of subsidiary		-	300.627
Changes in other investing activities		(943.954)	691.195
Net cash used in investing activities		(222.276.146)	(141.414.327)
CASH FLOWS FROM FINANCING ACTIVITIES			
Changes in borrowings (net)		137.247.304	52.884.386
Dividends paid		(64.866.000)	(70.556.000)
Capital increase		65.626.184	-
Changes in minority interests (net)	24	9.423.967	3.068.759
Net cash provided by / (used in) financing activities		147.431.455	(14.602.855)
NET CHANGES IN CASH AND CASH EQUIVALENTS		63.100.346	(92.750.708)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	4	52.861.501	145.612.209
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	4	115.961.847	52.861.501

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

The Group consists of Trakya Cam Sanayii A.Ş. (“the Company”), three joint ventures, and one subsidiary and two associates in which the Company owns a majority shareholding and control power.

Trakya Cam Sanayii A.Ş. was established on 17 January 1978 and started production 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), Bulgaria (Targovishte) and Bursa (Yenişehir). Headquarter of the Company is located at İş Kuleleri Kule 3, 4.Levent/ İstanbul. Operation at the production facility in Yenişehir has not started yet. It is planned that production will start at May 2007.

Consolidated Subsidiaries:

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

Subsidiary:

<u>Company Name</u>	<u>Nature of Business</u>	<u>Country of Registration</u>
Trakya Yenişehir Cam San.A.Ş.	Production and sale of flat glass	Turkey

	<u>31 December 2006</u>		<u>31 December 2005</u>	
<u>Company Name</u>	<u>Ratio of direct ownership</u>	<u>Ratio of effective ownership</u>	<u>Ratio of direct ownership</u>	<u>Ratio of effective ownership</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Trakya Yenişehir Cam San.A.Ş.	85	85	85	85

Joint Ventures:

<u>Company Name</u>	<u>Nature of Business</u>	<u>Country of Registration</u>
Trakya Cam Investment BV	Finance and investment	Netherlands
Trakya Glass Bulgaria EAD	Production and sale of flat glass and glassware.	Bulgaria
Trakya Glass Logistics EAD	Logistic	Bulgaria

	<u>31 December 2006</u>		<u>31 December 2005</u>	
<u>Company Name</u>	<u>Ratio of direct ownership</u>	<u>Ratio of effective ownership</u>	<u>Ratio of direct ownership</u>	<u>Ratio of effective ownership</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Trakya Cam Investment BV	70	70	70	70
Trakya Glass Bulgaria EAD	-	70	-	70
Trakya Glass Logistics EAD	-	70	-	70

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

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

Associates:

<u>Company Name</u>	<u>Nature of Business</u>	<u>Country of Registration</u>
Çayırova Cam San. A.Ş.	Commercial operation (*)	Turkey
Camiş Elektrik A.Ş.	Electricity Production and Sales	Turkey

<u>Company Name</u>	<u>31 December 2006</u>		<u>31 December 2005</u>	
	Ratio of direct ownership	Ratio of effective ownership	Ratio of direct ownership	Ratio of effective ownership
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Çayırova Cam San. A.Ş.	28	28	28	28
Camiş Elektrik A.Ş.	34	40	34	40

(*) Çayırova Cam San. A.Ş. generates rent income by leasing its warehouses and facilities to the Group Companies.

Shareholder structure of the Company:

The issued nominal capital of the Company is TRY 293.226.184. Shares of the Company are traded at the Istanbul Stock Exchange (ISE), and the shareholder structure is as follows:

<u>Shareholders</u>	<u>31 December 2006</u>		<u>31 December 2005</u>	
	Share %	Share Amount TRY	Share %	Share Amount TRY
T.Şişe ve Cam Fabrikaları A.Ş.	60,83	178.369.488	60,83	138.451.870
Publicly held	31,31	91.809.118	31,31	71.273.310
Cam Pazarlama A.Ş.	6,16	18.062.733	5,85	13.308.652
IFC	0,07	205.258	0,07	150.000
Other	1,63	4.779.587	1,94	4.416.168
Total	100,00	293.226.184	100,00	227.600.000

Number of employees by category:

	<u>31 December 2006</u>	<u>31 December 2005</u>
	Personnel with monthly salary	845
Personnel with hourly wage	1.924	1.619
Total	2.769	2.283

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

2. BASIS OF THE CONSOLIDATED 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 subsidiaries, which are registered in foreign countries, maintain their books of account and prepare their statutory statements in accordance with accounting principles prevailed in their registered countries.

The Capital Market Board (the “CMB”), published a set of comprehensive accounting policies in Communiqué No: XI/25 “Communiqué on Capital Market Accounting Standards” (the “Communiqué No: XI/25”). Without revealing the declarations issued by the CMB upon Accounting Standards including financial statement, report and footnote formats in the Additional Article 1 which is added to the Communiqué No: XI/25 and Communiqué No: XI/27 “Communiqué on Amendments upon the Capital Markets Accounting Standards Communiqué” (the “Communiqué No: XI/27”) published on 23 December 2004, it is stated that the application of International Financial Reporting Standards (“IFRS”) by companies should be in accordance with the required arrangements and declarations issued in the Communiqué No: XI/25. Therefore, as an alternative the compliance with the accounting standards issued by the International Accounting Standards Board (“IASB”) and International Accounting Standards Committee (“IASC”) will be counted as in compliance with the CMB’s Accounting Standards.

According to this, the Group adopts itself to prepare its financial statements according to the alternative application frame permitted by the CMB, mentioned above starting from 31 December 2003. The financial statements and footnotes are prepared in accordance with the CMB’s announcement on 20 December 2004 regarding the obligatory format.

Preparation of Financial Statements in Hyperinflationary Periods:

The CMB with the resolution numbered 11/367 dated 17 March 2005 declared that companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards (including the application of IFRS) effective 1 January 2005, will not be subject to the application of inflation accounting. Based on that declaration, in the accompanying financial statements IAS 29 “Financial Reporting in Hyperinflationary Economies” was not applied beginning from 1 January 2005.

Principles of 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 Group, 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. The group has obtained a share from the operations of the equity subsidiaries since it has power to govern the financial and operational policies of the company. All significant transactions and balances between the Group and its consolidated subsidiaries are eliminated on consolidation. In cases where the consolidated entities are not 100% owned, the shareholder’s equity and net income which belong to third party shareholders are separately disclosed as minority interest.

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

Principles of Consolidation (cont'd):

Joint ventures are accounted by using the proportionate consolidation method in the financial statements of the Group. Application of this method is abandoned when the joint control ceases in such companies. Proportionate consolidation method principally has the same procedures as the full consolidation method. However, before commencing joint management consolidation transactions, balance sheet and income statement amounts of the participations subject to joint management are gathered with similar accounts in the financial statements of the Group by taking into consideration the share of the Group acquired directly and/or via its subsidiaries. After these transactions, shareholders equity of minority shares and minority profit/loss are not included in the consolidated financial statements. Presentation of the transactions between the joint ventures and the Group are reflected to the financial statements based on the substance of the transaction. Within this context, profit earned from the transfer or sale of a non-current asset to joint ventures is considered as much as the other entrepreneurs' share.

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 of the investee and they are accounted by using the equity method. Under the equity method, the net assets of the investee company are carried in the consolidated balance sheet and the share of the Group derived from 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.

According to IAS 21 "The Effects of the Changes of Exchange Rates", the assets and liabilities of the associates of the Group in foreign countries, are converted to Turkish Lira by the rates prevailing at balance sheet date. The income/loss items are converted by the average rate for the period. The exchange rate differences occurred because of the difference between balance sheet rate and average rate are followed in the foreign currency translation adjustments account in Shareholders' Equity. The exchange differences in this account are recorded as income or loss when the operation of the foreign associates ends.

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.

Comparative Information and Restatement of Prior Period Financial Statements:

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 order to maintain consistency.

Offsetting:

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

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(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 consolidated financial statements are as follows:

a. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of goods

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- (a) The Group transfers to the buyer all the significant risks and rewards of ownership of the goods to the buyer;
- (b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest Income

Interest income is accrued on a time basis, by reference to the principle outstanding and effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

b. Inventories

Inventories are stated at the lower of cost or net realizable value (market value less sales expenses) and valued with the weighted average method. Cost comprises purchase cost and, where applicable, conversion costs and those overheads that have been incurred in bringing the inventories to their present locations and conditions.

c. Tangible Assets

Value of tangible fixed assets is determined through indexed carried historical cost as of 31 December 2004 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	4-5 years
Furniture and fixtures	2-15 years
Leasehold improvements	4-5 years

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

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

c. Tangible Assets (cont'd)

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 and maintenance of tangible assets are charged against income.

d. Intangible Assets

Intangible assets are measured initially at acquisition cost less accumulated amortization and are amortized on a straight-line basis over their estimated useful lives. Intangible fixed assets are depreciated over the following useful lives:

	<u>Useful life</u>
Rights	2-10 years

e. Impairment of Tangible and Intangible Assets

At each balance sheet date, the Group reviews the carrying amounts of all of its assets, excluding goodwill and deferred tax, to determine whether there is any indication that those assets have suffered from 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) at each balance sheet date. Intangible assets are also tested for impairment and, if there is any indication of their usage, the recoverable amount of the assets is estimated at each balance sheet date. If the book value of these assets or any unit producing cash, belonging to that asset, are higher than their value of use or their net selling prices, than there is an impairment in the value of these assets. The impairment losses are recognized in the income statement.

If the impairment loss of an asset is followed by an increase in its recoverable amount which can be also justified by a related event, the increase in the recoverable amount can be adjusted in the financial statements by a reversal in the recognized impairment loss. The adjustment should not exceed the total amount of the recognized impairment loss.

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.

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

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

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

g. Financial Instruments (cont'd)

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.

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.

The fair values of certain financial assets carried at cost are considered to be representative of carrying values due to their short-term nature.

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.

Trade receivables

Trade and other receivables, under IAS 39, are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized by the Group Management considering the amount of non-collectable receivables, guarantees taken, previous experiences and existing economical conditions. Irrecoverable amounts are recognized as loss in the period, in which it is clear that no collections can be made regarding to those amounts.

Borrowings

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

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

g. Financial Instruments (cont'd)

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. The credit risk on liquid funds is limited because the funds are invested in time deposits with banks, government bonds and treasury bills for short-term purposes.

Price risk

The Group is exposed to exchange rate fluctuations between foreign currencies and the Turkish Lira due to the nature of its business. Majority of the Group's imports and exports 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 in 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 when the operation of the foreign associates ends.

In preparing the financial statements of the Group, 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).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

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

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.

k. Provisions, Contingent Liabilities, Contingent Assets

If the Group has liabilities from previous events, in the case of selling its economically beneficial assets to pay these liabilities is probable and estimating the cost of the liabilities reliably; provision is provided for the related liabilities and the provision is displayed on the financial statements.

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 extent that contingent liabilities are probable but no reliable assumption can be made regarding the amount of resources covering benefits.

A contingent asset is defined as a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is disclosed where an inflow of economic benefits is probable.

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 the Capital Markets Board Accounting Standards and in the CMB's Communiqué No: XI/25 and they are practiced consistently.

The Group can make changes to its accounting policies when such changes will reflect the companies financial position, performance or cash flows in a more reliable manner. When the accounting policy change affects the current and the prior period results, the change is applied retroactively as if the accounting policy was in effect. If the application of such change affects the financial results of the following periods, the accounting policy change is applied in the period in which such change is made.

Some components of the financial statements involve some accounting estimates due to some uncertainties of the companies operations. When there are changes in the underlying assumptions, such as availability of new information or occurrence of new events, the company reviews these estimates. If the change in the accounting estimate affects just one period, the change is taken into account in the period in which the change is made. If the change in estimate affects the future periods, the change is applied prospectively.

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

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

1. Changes in Accounting Policies, Accounting Estimates and Errors (cont'd)

Errors might stem from wrong arithmetical calculations, the incorrect application of accounting policies or misinterpretation of the accounting standards. When the Group realizes a probable error, the financial statements are corrected retroactively. The Group shall disclose the nature of error, aggregate amount of adjustments applied in the prior periods and each comparative period in which represents the aggregate amount of these adjustments.

m. Finance 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 consolidated financial statements, shareholders of the Company and related companies, consolidated and non-consolidated group companies, and the companies related to those companies, their directors and key management personnel and any groups to which they are known to be related, are considered and referred to as related companies.

o. Segmental Information

None.

p. Discontinued Operations

None.

r. Government Grants and Incentives

Investment incentive certificates, which were based on the acquisition of tangible assets subject to depreciation, are revoked commencing from 1 January 2006. However, investment incentives existing as of 31 December 2005, which could not be deducted in the financial year 2005, are carried forward to the financial year 2006 according to 69th Provisional Article of Income Withholding Tax Law, and the investment expenditures made after 1 January 2006, which are economically and technically related to the investments made in accordance with Article 19 of Income Withholding Tax Law commencing before the afore-mentioned date, and expenditures made after 1 January 2006, which were related to the investment incentive certificates obtained prior to 24 April 2003, will be deductible from taxable income of financial years 2006, 2007 and 2008 with in the context of the prevailing Law as of 31 December 2005 in order to preserve the vested rights of the entities.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003 regardless of the appropriation of the profit.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

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

r. Government Grants and Incentives (cont'd)

In Section 10 of the Law, numbered 5220, it was decided that 40% of research and development (“R&D”) expenditures from the Group’s exclusive and new search for technology and information is exempt from corporate tax as a R&D deduction. There is no withholding tax for R&D deduction.

Expenses regarding industries having R&D quality projects which were qualified by expert organizations are reviewed 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 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 the 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”.

s. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

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

t. 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.

u. Cash Flow Statement

The Group prepares statements of cash flow as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to the developing conditions. Cash flows for the period are mainly reported depending on investment and financial operations of the Group.

v. 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 ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations except for the ones that contradict with the CMB's announcement on 20 December 2004 regarding the obligatory format. At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective.

IAS 1	Presentation of Financial Statement :Additional Requirements for Disclosures of the Entity's Capital
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements

IFRS 7 requires additional disclosures in the financial statements for financial instruments compared to the existing standards. Nevertheless, it does not include any arrangements related with classification and valuation of financial instruments.

The Group's Management anticipates to the adoption of these Standards and Interpretations in future periods, except additional disclosure requirements due adoption of IFRS 7, will have no material impact on the consolidated financial statements of the Group.

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

4. CASH AND CASH EQUIVALENTS

	31 December 2006	31 December 2005
Cash	37.935	17.171
Time deposits	99.090.952	31.757.041
Demand deposits (*)	16.832.960	21.087.289
	<u>115.961.847</u>	<u>52.861.501</u>

(*) TRY 1.166.888 of demand deposits is blocked because of salary payments which will be made on 1 January 2007. (31 December 2005: TRY 1.096.345).

TimeDeposits

<u>Foreign Currency</u>	Interest Rate (%)	<u>Maturity</u>	31 December 2006
EUR	3,50-3,75	January 2007	79.199.184
USD	5,00-5,50	January 2007	18.072.996
TRY	17,50	January 2007	1.818.772
			<u>99.090.952</u>

<u>Foreign Currency</u>	Interest Rate (%)	<u>Maturity</u>	31 December 2005
EUR	3,05-3,25	January 2006	26.387.194
USD	4,50	January 2006	5.369.847
			<u>31.757.041</u>

5. MARKETABLE SECURITIES

None.

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

6. BORROWINGS

	31 December 2006	31 December 2005
Short term bank loans	114.334.539	81.983.146
Current portion of long term bank loans	37.580.367	15.017.871
Total short term borrowings	<u>151.914.906</u>	<u>97.001.017</u>
Long term portion of long term bank loans	198.919.899	113.764.745
Total borrowings	<u>350.834.805</u>	<u>210.765.762</u>

31 December 2006

<u>Currency Type</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Short Term</u>	<u>Long Term</u>
USD	2008 – 2014	4,39 – 7,99	16.012.506	4.518.959
EUR	2008 – 2014	6 Month Euribor+2,65 – 5,90	129.595.838	194.400.940
TRY	2007	10,80 – 14,00	6.306.562	-
			<u>151.914.906</u>	<u>198.919.899</u>

31 December 2005

<u>Currency Type</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Short Term</u>	<u>Long Term</u>
USD	2007 – 2012	5,49 – 8,06	12.661.150	7.172.292
EUR	2007 – 2012	6 Aylık Euribor+ 2,65 - 5,90	81.651.806	106.592.453
TRY	2006	13,00-15,00	2.688.061	-
			<u>97.001.017</u>	<u>113.764.745</u>

Repayment periods of borrowings are as follows:

	31 December 2006	31 December 2005
Within one year	151.914.906	97.001.017
Between one and two years	59.363.920	17.629.513
Between two and three years	42.652.881	8.486.814
Between three and four years	39.482.496	5.694.114
After four years	57.420.602	81.954.304
	<u>350.834.805</u>	<u>210.765.762</u>

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

7. TRADE RECEIVABLES AND PAYABLES

	31 December 2006	31 December 2005
<u>Current Trade Receivables (Net)</u>		
Trade receivables	114.519.913	82.949.211
Deposits and guarantees given	36.410	25.888
Allowance for doubtful receivables	(147.742)	-
	<u>114.408.581</u>	<u>82.975.099</u>
<u>Non-Current Trade Receivables (Net)</u>		
Deposits and guarantees given	<u>85.457</u>	<u>71.269</u>

Movements in the allowance for doubtful receivables are as follows:

	2006	2005
Opening balance, 1 January	-	-
Charge for the period	147.742	-
Collection	-	-
Closing balance, 31 December	<u>147.742</u>	<u>-</u>

The Group retains the following collaterals for its trade receivables:

	31 December 2006	31 December 2005
Letters of guarantee	96.540.958	70.710.578
Notes and bills	2.582.129	1.298.166
Mortgages	1.427.863	1.427.863
	<u>100.550.950</u>	<u>73.436.607</u>

	31 December 2006	31 December 2005
<u>Trade Payables (Net)</u>		
Short term trade payables	32.402.816	19.324.875
Deposits and guarantees received	162.813	147.399
	<u>32.565.629</u>	<u>19.472.274</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 YEAR ENDED 31 DECEMBER 2006

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

9. RELATED PARTY TRANSACTIONS

	31 December 2006	31 December 2005
<u>Deposits held at İş Bankası:</u>		
Demand deposits	15.455.914	18.524.216
Time deposits	99.090.952	31.757.041
	<u>114.546.866</u>	<u>50.281.257</u>
<u>Borrowings:</u>		
İş Bankası	2.500.000	2.435.702
Through Cam Pazarlama	124.551.697	78.855.449
Through Şişecam Holding	77.371.187	-
	<u>204.422.884</u>	<u>81.291.151</u>
<u>Trade receivables from related parties:</u>		
Cam Pazarlama	41.080.464	23.364.787
Paşabahçe Cam	118.906	-
	<u>41.199.370</u>	<u>23.364.787</u>
<u>Other receivables from related parties:</u>		
Şişecam Holding	3.897.785	-
Camiş Elektrik	3.021.306	3.669.385
Soda Sanayii	2.217.995	-
Paşabahçe Mağazaları EOOD	194.911	-
Paşabahçe Cam	174.932	2.238.318
Trakya Glass Investment BV	120.226	16.159.220
Trakya Glass Bulgaria EAD	116.965	4.785.306
Camiş Madencilik	99.771	149.687
Camiş Limited	52.989	19.222.371
Çayırova Cam	9.775	149.532
Cam Pazarlama	1.203	16.150.680
Others	20.286	82.845
	<u>9.928.144</u>	<u>62.607.344</u>
Discount (-)	(574.615)	(152.607)
Total receivables from related parties	<u>50.552.899</u>	<u>85.819.524</u>

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9. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2006	31 December 2005
<u>Trade payables to related parties:</u>		
Cam Pazarlama	7.096.927	1.671.178
Camiş Limited	4.127.172	4.552.508
Camiş Elektrik	2.565.191	2.258.891
Paşabahçe Cam	1.916.547	223.517
Şişecam Holding	1.220.577	2.116.091
Soda Sanayii	636.959	642.359
Camiş Madencilik	508.337	559.877
Camiş Lojistik	270.945	842.139
Şişecam Bulgaria	194.401	30.675
Şişecam Sigorta	167.363	219.902
Paşabahçe Mağazaları	156.242	-
Others	111.443	15.833
	<u>18.972.104</u>	<u>13.132.970</u>
<u>Other payables to related parties:</u>		
Cam Pazarlama	9.974.983	8.197.343
Camiş Madencilik	1.735.114	1.517.259
Camiş Lojistik	905.638	2.664.082
Şişecam Holding	847.878	5.684.173
Şişecam Sigorta	543.117	132.131
Anadolu Cam Yenişehir	426.260	-
Anadolu Cam	361.840	5.383.143
Cam Elyaf	238.770	-
Çayırova Cam	122.310	106.535
Soda Sanayii	45.460	1.121.509
Paşabahçe Cam	2.989	17.957.636
Cam Elyaf	-	592.502
Camiş Limited	-	153.172
Others	24.171	8.078
Dividend payables	254.569	230.477
	<u>15.483.099</u>	<u>43.748.040</u>
Discount (-)	(112.393)	(91.132)
Total payables to related parties	<u><u>34.342.810</u></u>	<u><u>56.789.878</u></u>

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9. RELATED PARTY TRANSACTIONS (cont'd)

	<u>2006</u>	<u>2005</u>
<u>Sales to related parties</u>		
Cam Pazarlama	131.019.077	144.323.587
Paşabahçe Cam	18.247.700	2.328.184
Paşabahçe Mağazaları	189.510	-
Anadolu Cam Yenişehir	40.289	-
Anadolu Cam	39.834	184.990
Denizli Cam	25.606	107.345
Others	7.036	20.524
	<u>149.569.052</u>	<u>146.964.630</u>
<u>Purchases from related parties</u>		
Soda Sanayi	39.849.481	36.233.151
Camiş Madencilik	29.759.270	30.875.529
Cam Pazarlama	23.543.200	35.852.255
Camiş Elektrik	22.504.044	19.924.664
Camiş Limited	9.964.115	-
Şişecam Bulgaria	7.113.083	-
Paşabahçe Cam	3.682.357	3.471.457
Solvey Bulgaria	1.677.116	-
Anadolu Cam Yenişehir	207.697	-
Paşabahçe Mağazaları	152.055	3.485
Others	155.141	153.567
	<u>138.607.559</u>	<u>126.514.108</u>

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9. RELATED PARTY TRANSACTIONS (cont'd)

	2006	2005
<u>Interest income from / (expense to) related parties</u>		
Cam Pazarlama	1.745.412	(420.720)
Camiş Ltd.	382.492	948.600
Camiş Elektrik	239.513	(403.969)
Çayırova Cam	23.502	(211.402)
Soda Sanayi	(40.038)	(553.443)
Cam Elyaf	(58.215)	(25.385)
Şişecam Holding	(60.359)	(959.096)
Anadolu Cam	(71.824)	(51.166)
Anadolu Cam Yenişehir	(83.637)	-
Camiş Madencilik	(92.277)	(227.370)
Camiş Lojistik	(142.240)	(383.667)
Paşabahçe Cam	(146.396)	(237.485)
Trakya Investment BV	-	250.253
Other	9.948	74.005
	<u>1.705.881</u>	<u>(2.200.845)</u>
<u>Service income</u>		
Paşabahçe Cam	618.911	693.136
Camiş Madencilik	108.769	104.609
Şişecam Holding	42.469	45.612
Camiş Elektrik	21.235	22.812
Anadolu Cam	16.406	17.562
	<u>807.790</u>	<u>883.731</u>
<u>Rent income</u>		
Paşabahçe Cam	221.522	204.325
Camiş Madencilik	190.660	182.090
	<u>412.182</u>	<u>386.415</u>

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9. RELATED PARTY TRANSACTIONS (cont'd)

	<u>2006</u>	<u>2005</u>
<u>Rent expenses</u>		
Şişecam Holding	1.467.518	1.381.048
Çayırova Cam	492.077	480.469
Others	52.435	6.167
	<u>2.012.030</u>	<u>1.867.684</u>
<u>Service share paid</u>		
Şişecam Holding	9.781.091	9.056.881
Camiş Lojistik	1.995.398	538.680
Çayırova Cam	-	292.834
Others	88.249	87.993
	<u>11.864.738</u>	<u>9.976.388</u>
<u>Commissions paid</u>		
Camiş Lojistik	1.690.746	700.370
Şişecam Holding	1.584.636	810.224
Cam Pazarlama	695.262	1.038.363
	<u>3.970.644</u>	<u>2.548.957</u>
<u>Tangible asset sales</u>		
Paşabahçe Cam	1.222.883	-
	<u>1.222.883</u>	<u>-</u>

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

10. OTHER RECEIVABLES AND PAYABLES

<u>Other Receivables</u>	<u>31 December 2006</u>	<u>31 December 2005</u>
VAT carried forward	10.244.479	3.109.389
Other receivables	1.726.401	802.594
Receivables from personnel	163.881	180.700
Business advances	183.752	-
Allowance for doubtful receivables (-)	-	(238.831)
	<u>12.318.513</u>	<u>3.853.852</u>

11. BIOLOGICAL ASSETS

None.

12. INVENTORIES (NET)

	<u>31 December 2006</u>	<u>31 December 2005</u>
Raw materials	38.823.270	28.747.222
Work in progress	16.634.354	14.309.280
Finished goods	49.213.074	38.534.521
Trade goods	3.038.169	61.493
Other inventories	302.401	479.665
Allowance for diminution in value of inventories (-)	-	(6.985)
Order advances given	2.585.020	946.217
	<u>110.596.288</u>	<u>83.071.413</u>

13. RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS AND PROGRESS COSTS

None.

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

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

14. DEFERRED TAX ASSETS AND LIABILITIES

Deferred Tax:

	31 December 2006	31 December 2005
Deferred tax assets	19.264.855	837.596
Deferred tax liabilities	(64.463.692)	(99.446.505)
Deferred tax liabilities (net)	<u>(45.198.837)</u>	<u>(98.608.909)</u>

The Group 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 and tax purposes.

The basis for the deferred tax is as follows:

	31 December 2006	31 December 2005
<u>Temporary differences subject to deferred tax:</u>		
Differences in valuation and amortization of tangible assets	354.026.927	359.785.636
Retirement pay provision	(26.769.417)	(26.149.654)
Non-real finance expenses	(372.547)	(558.818)
Unused investment incentive	(59.247.314)	(828.043)
Inventory valuation and profit margin elimination	(1.141.106)	652.384
Discount on receivables and payables	(1.818.749)	(914.217)
Carryforward tax losses	(3.674.563)	(5.003.711)
Insurance income accrual	6.771.420	-
Income and expense accruals (net)	(315.192)	(91.746)
	<u>267.459.459</u>	<u>326.891.831</u>
<u>Deferred tax (assets) / liabilities:</u>		
Differences in valuation and amortization of tangible assets	68.881.672	107.725.358
Retirement pay provision	(5.351.864)	(7.843.760)
Non-real finance expenses	(74.509)	(167.645)
Unused investment incentive	(17.774.194)	(248.413)
Inventory valuation and profit margin elimination	(228.221)	195.715
Discount on receivables and payables	(363.750)	(274.265)
Carryforward tax losses	(1.102.369)	(750.557)
Insurance income accrual	1.354.284	-
Income and expense accruals (net)	(142.212)	(27.524)
	<u>45.198.837</u>	<u>98.608.909</u>
<u>Deferred tax liability movement:</u>		
1 January, opening balance	98.608.909	100.812.247
Effect of the change in tax rate	(33.148.835)	-
Charged to equity	65.271	-
Foreign currency translation effect	(90.031)	-
Deferred tax (benefit) / charge	(20.236.477)	(2.203.338)
31 December, closing balance	<u>45.198.837</u>	<u>98.608.909</u>

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

Other Current Assets

	31 December 2006	31 December 2005
Prepaid expenses	891.748	425.086
Income accruals	898.618	-
	<u>1.790.366</u>	<u>425.086</u>

Other Long Term Assets

	31 December 2006	31 December 2005
Prepaid expenses	-	22.840
	<u>-</u>	<u>22.840</u>

Other Short Term Liabilities

	31 December 2006	31 December 2005
Taxes and dues payable	3.941.028	2.811.148
Social security premiums payable	6.392.943	3.329.631
Payables to personnel	1.663.931	1.326.797
Other payables	582.950	154.019
Expense accruals	-	112.497
Provisions	199.685	70.011
	<u>12.780.537</u>	<u>7.804.103</u>

Other Long Term Liabilities

	31 December 2006	31 December 2005
Taxes and dues payable	-	993.807
Deferred income	465.072	416.096
Deposits and guarantees received	23.760	31.535
	<u>488.832</u>	<u>1.441.438</u>

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16. FINANCIAL ASSETS (NET)

	31 December 2006	31 December 2005
Investments in associates	53.621.987	62.835.921
Available for sale investments	92.161.711	151.668.209
	<u>145.783.698</u>	<u>214.504.130</u>

	Share %	31 December 2006	Share %	31 December 2005
<u>Investments in associates</u>				
Çayırova Cam San. A.Ş. (*)	28,13	29.714.545	28,13	30.579.381
Camiş Elektrik A.Ş. (*)	34,43	23.907.442	34,43	32.256.540
		<u>53.621.987</u>		<u>62.835.921</u>
<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
Camiş Madencilik A.Ş.	6,78	24.321.341	6,78	23.486.470
T. Şişe ve Cam Fabrikaları A.Ş. (**)	0,08	1.644.044	0,08	1.334.391
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>92.161.711</u>		<u>151.668.209</u>
Impairment (***)		<u>(14.669.523)</u>		<u>(12.008.152)</u>
Net		<u>131.114.175</u>		<u>202.495.978</u>

(*) Çayırova Cam and 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 these Companies are publicly traded at the İstanbul Stock Exchange (ISE) and stated at their fair values in the accompanying financial statements.

(***) TRY 14.600.022 of the impairment is related to Camiş Madencilik A.Ş. and TRY 69.501 is related to İstanbul Porselen San. A.Ş.

With the Board of Directors' Decision dated 31 March 2006, 19,446% of the shares of Soda Sanayi A.Ş. with nominal value of TRY 12.178.919 were sold to Türkiye Şişe ve Cam Fabrikaları A.Ş. for TRY 85.861.379 in cash at the price of TRY 7.05 for each TRY 1 (one) nominal share agreed mutually based on the ISE wholesale pricing.

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16. FINANCIAL ASSETS (NET) (cont'd)

Associates accounted using the equity method:

	31 December 2006	31 December 2005
Cost of investment in associates	72.454.204	72.454.204
Share of post-acquisition profit, net of dividend received	<u>(18.832.217)</u>	<u>(9.618.283)</u>
	<u>53.621.987</u>	<u>62.835.921</u>

Summarised financial information in respect of the Group's associates is set out below:

	31 December 2006	31 December 2005
Total assets	246.047.835	232.025.087
Total liabilities	<u>(70.975.661)</u>	<u>(29.628.709)</u>
Net assets	175.072.174	202.396.378
Group's share of associates' net assets	<u>53.621.987</u>	<u>62.835.921</u>
	1 January- 31 December 2006	1 January- 31 December 2005
Net sales	60.849.081	28.580.946
Net profit / (loss) for the period	(22.959.920)	4.567.504
Group's share of associates' net profit / (loss) for the period	(8.011.455)	1.400.321

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16. FINANCIAL ASSETS (NET) (cont'd)

Joint Ventures

Trakya Cam Investment BV, Trakya Glass Bulgaria EAD and Trakya Glass Logistics EAD, the joint ventures which are owned by the Company with 70% share, are incorporated in the consolidated financial statements by proportionate consolidation method. The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of these companies:

	31 December 2006	31 December 2005
Current assets	51.992.228	31.664.495
Non-current assets	290.575.559	186.954.101
Current liabilities	(48.800.709)	(73.950.748)
Non-current liabilities	(88.126.564)	(79.742.174)
	1 January- 31 December 2006	1 January- 31 December 2005
Income	103.163.014	557.624
Expenses	(91.362.216)	(2.091.320)

17. POSITIVE/NEGATIVE GOODWILL

None.

18. INVESTMENT PROPERTY

None.

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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>Cost</u>									
Opening balance, 1 January 2006	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
Foreign currency translation effect	83.400	157.791	2.558.969	4.632.559	126.837	392.663	16.343	-	7.968.562
Additions	-	1.023.312	37.150.715	110.048.251	9.548.594	7.468.340	3.207.554	652.724	169.099.490
Disposals (*)	-	(29.078)	-	(50.752.493)	(388.362)	(5.405.435)	(136.899)	-	(56.712.267)
Closing balance, 31 December 2006	10.119.335	30.437.285	297.330.674	976.892.641	13.613.822	70.558.411	9.355.718	4.289.753	1.412.597.639
<u>Accumulated Depreciation</u>									
Opening balance, 1 January 2006	-	(6.531.593)	(51.510.948)	(489.710.597)	(2.170.581)	(55.006.462)	(3.746.456)	(3.146.395)	(611.823.032)
Foreign currency translation effect	-	(738)	(32.569)	(154.600)	(9.836)	(14.990)	(870)	-	(213.603)
Charge for the year	-	(648.079)	(5.701.736)	(57.280.216)	(1.124.652)	(3.232.356)	(653.139)	(186.269)	(68.826.447)
Disposals (*)	-	7.746	-	43.432.619	298.983	4.394.055	8.187	-	48.141.590
Impairment	-	(6.916.937)	-	-	-	-	-	-	(6.916.937)
Closing balance, 31 December 2006	-	(14.089.601)	(57.245.253)	(503.712.794)	(3.006.086)	(53.859.753)	(4.392.278)	(3.332.664)	(639.638.429)
Construction in progress and advances given – 31 December 2006									195.339.305
Net book value as of 31 December 2006	10.119.335	16.347.684	240.085.421	473.179.847	10.607.736	16.698.658	4.963.440	957.089	968.298.515

(*) In current year, net book value of TRY 6.771.420 of disposals of machinery and equipment is related to TR1 flat glass furnace which was damaged as a result of flood occurred at 2 July 2006 in Trakya Factory (cost: TRY 43.560.340; accumulated depreciation: TRY 36.788.920).

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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>Total</u>
<u>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									36.892.375
Net book value as of 31 December 2005	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

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20. INTANGIBLE ASSETS (NET)

	<u>Rights</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<u>Cost</u>			
Opening balance as of 1 January 2006	3.927.279	90.428	4.017.707
Foreign currency translation effect	-	14.784	14.784
Additions	575.884	38.882	614.766
Disposals	-	-	-
Closing balance as of 31 December 2006	<u>4.503.163</u>	<u>144.094</u>	<u>4.647.257</u>
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2006	(2.443.537)	(24.878)	(2.468.415)
Foreign currency translation effect	-	(4.200)	(4.200)
Charge for the year	(401.700)	(62.714)	(464.414)
Disposals	-	-	-
Closing balance as of 31 December 2006	<u>(2.845.237)</u>	<u>(91.792)</u>	<u>(2.937.029)</u>
Net book value as of 31 December 2006	<u>1.657.926</u>	<u>52.302</u>	<u>1.710.228</u>
Net book value as of 31 December 2006	<u>1.483.742</u>	<u>65.550</u>	<u>1.549.292</u>
<u>Cost</u>			
Opening balance as of 1 January 2005	3.487.225	1.533	3.488.758
Additions	510.201	88.895	599.096
Disposals	(70.147)	-	(70.147)
Closing balance as of 31 December 2005	<u>3.927.279</u>	<u>90.428</u>	<u>4.017.707</u>
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2005	(2.240.038)	(1.526)	(2.241.564)
Charge for the year	(214.228)	(23.352)	(237.580)
Disposals	10.729	-	10.729
Closing balance as of 31 December 2005	<u>(2.443.537)</u>	<u>(24.878)</u>	<u>(2.468.415)</u>
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>

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

21. ADVANCES RECEIVED

	31 December 2006	31 December 2005
Order advances received	3.960.241	538.143

22. RETIREMENT PLANS

None.

23. PROVISIONS

Short Term Provisions

	31 December 2006	31 December 2005
Corporate income tax provision	27.131.462	33.584.344
Prepaid taxes and funds	(19.444.568)	(24.128.211)
	<u>7.686.894</u>	<u>9.456.133</u>

Long Term Provisions

Provision for employment termination benefits:

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits. Also, employees are required to be paid their retirement pay provisions who are entitled to receive retirement pay provisions in accordance with Law numbered 2242 and dated 6 March 1981 and numbered 4447 and dated 25 August 1999 of the existing Social Insurance Law No: 506 including the amended Article 60 of the related Law .

The amount payable consists of one month's salary limited to a maximum of TRY 1.857,44 (31 December 2005: TRY 1.727,15) for each period of service at 31 December 2006. As the maximum liability is revised semi annually, the maximum amount of TRY 1.960,69 effective from 1 January 2007 has been taken into consideration in the calculation of provision based on employment termination benefits.

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

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Revised IAS 19 "Employee Benefits" require actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability.

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2006 and 31 December 2005, provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. Provisions at the respective balance sheet were calculated assuming an annual inflation rate of 5% and a discount rate of 11%, the real discount rate is approximately %5,71. (2005: in order 6,175%, 12% and 5,49%). The anticipated rate of forfeitures is considered.

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

23. PROVISIONS (cont'd)

Long Term Provisions (cont'd)

The movement of retirement pay provision is as follows:

	1 January – 31 December 2006	1 January – 31 December 2005
Opening balance	26.150.305	23.986.752
Charge for the period	4.548.992	6.500.901
Retirement pay paid	(3.930.155)	(4.337.348)
Closing balance	<u>26.769.142</u>	<u>26.150.305</u>

24. MINORITY INTEREST

	31 December 2006	31 December 2005
Opening balance	3.068.759	-
Change in minority shares during the year	9.022.500	3.007.500
Minority share on operating results	401.467	61.259
Closing balance	<u>12.492.726</u>	<u>3.068.759</u>

25. SHARE CAPITAL

Shareholder structure as of 31 December 2006 and 31 December 2005 as follows:

<u>Shareholders</u>	(%)	31 December 2006	(%)	31 December 2005
T.Şişe ve Cam Fabrikaları A.Ş.	60,83	178.369.488	60,83	138.451.870
Cam Pazarlama A.Ş.	6,16	18.062.733	5,85	13.308.652
IFC	0,07	205.258	0,07	150.000
Other	32,94	96.588.705	33,25	75.689.478
Nominal capital	100,00	293.226.184	100,00	227.600.000
Inflation adjustment		130.496.942		130.496.942
Restated capital		<u>423.723.126</u>		<u>358.096.942</u>

The Company's share capital consists of 29.322.618.400 shares (31 December 2005: 22.760.000.000).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

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

CAPITAL RESERVES

	31 December 2006	31 December 2005
Revaluation fund on financial assets	1.287.518	41.459.170
Inflation adjustment of equity items	<u>130.496.942</u>	<u>130.496.942</u>
	<u>131.784.460</u>	<u>171.956.112</u>

PROFIT RESERVES

	31 December 2006	31 December 2005
Legal reserves	128.348.514	118.537.922
Extraordinary reserves	71.957.363	57.322.825
Other capital reserves	<u>8.397.666</u>	<u>314.567</u>
	<u>208.703.543</u>	<u>176.175.314</u>

RETAINED EARNINGS / ACCUMULATED LOSSES

As of 31 December 2006, retained earnings in the balance sheet is TRY 201.479.662 (2005: TRY 207.865.865).

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

29. FOREIGN CURRENCY POSITION

	<u>USD</u>	<u>EURO</u>	<u>BGN</u>	TRY Equivalent of Other Foreign Currencies	TRY Equivalent
<u>31 December 2006</u>					
Cash and cash equivalents	13.762.951	43.715.663	791.545	182.371	101.216.449
Trade receivables	33.315	105.461	140.965	-	375.535
Due from related parties	1.560.715	16.486.739	205.943	3.585.527	36.499.423
Other current assets	-	-	-	-	-
Bank loans	(14.606.906)	(174.991.508)	-	-	(344.528.244)
Due to related parties	(2.595.048)	(6.064.839)	(246.427)	(566.720)	(15.676.651)
Trade payables	(248.066)	(2.282.335)	(3.916.309)	(320.080)	(8.601.918)
Net foreign currency position	<u>(2.093.039)</u>	<u>(123.030.819)</u>	<u>(3.024.283)</u>	<u>2.881.098</u>	<u>(230.715.406)</u>

	<u>USD</u>	<u>EURO</u>	<u>BGN</u>	TRY Equivalent of Other Foreign Currencies	TRY Equivalent
<u>31 December 2005</u>					
Cash and cash equivalents	4.067.294	28.198.383	799.582	25.314	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)	(1.842.965)	(8.884)	(3.314.948)
Net foreign currency position	<u>(13.340.671)</u>	<u>(54.711.739)</u>	<u>(370.964)</u>	<u>16.430</u>	<u>(105.018.513)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(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 2006	31 December 2005
Promissory notes and collaterals given (*)	123.436.897	64.325.318
Letters of guarantees given	3.127.780	676.022
Other	394.475	-
	<u>126.959.152</u>	<u>65.001.340</u>

(*) These are the guarantees given for the loans used by Şişecam Group.

As of 31 December 2006, the total monetary amount of court cases filed and currently pending against the Group is approximately TRY 106.535 (31 December 2005: TRY 25.541). Since the Group's Management does not anticipate any cash outflow due to these cases, no provision is allocated in the accompanying consolidated financial statements.

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

At 10 August 2006, Cam Pazarlama A.Ş., one of the shareholders of the Company, has obtained a loan of USD 140 Million (USD 97,5 Million with a maturity of 1 year, USD 42,5 Million with a maturity of 18 months), which will be used in export financing, from the consortium of Citibank A.Ş., ABN-AMRO Bank N.V., Calyonbank A.Ş., Fortis Bank SA / NV, HSBC Bank A.Ş., ING Bank N.V., Natexis Banques Populaires, Societe Generale, West LB A.G. and Rabobank International Dublin Branch. Trakya Cam San. A.Ş., Paşabahçe Cam San. ve Tic. A.Ş. and Anadolu Cam San. A.Ş. as the ultimate users have been guarantor to the one third of the total loan amount.

Trakya Glass Bulgaria EAD has commitments in the amount of TRY 20 Million related to the construction of temper glass plant and TRY 4 Million related to the construction of the mirror glass production line in flat glass plant. As of 2006 year-end, most of these investment commitments have been fulfilled and completion date of these investments is planned to be April 2007.

Share Holding and Repayment Agreement:

On 25 June 2004, Trakya Glass Bulgaria EAD (the "Company"), IFC, 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 Paşabahçe 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, 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 YEAR ENDED 31 DECEMBER 2006

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

32. BUSINESS COMBINATIONS

There is no business combination during the period.

33. SEGMENTAL REPORTING

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

34. EVENTS AFTER THE BALANCE SHEET DATE

In the meeting of Board of Directors of the Company held on 5 February 2007, it was decided to acquire Camiř Lojistik Hizmetleri A.ř., operating in the logistic sector, through transfer of shares in accordance with the Turkish Commercial Code Article No: 451, and Corporate Tax Law Articles No: 17, 18, 19, 20 and the Communiqué of Merger Operations of the Capital Markets Board and to initiate the procedures related to merger.

In the extraordinary meeting of the General Assembly of Trakya Yeniřehir Cam San. A.ř., subsidiary of the Company with %84,9625 share, held on 21 February 2007, it was decided to increase the capital from TRY 80.000.000 to TRY 150.000.000 in cash. In the Board of Directors meeting of the Company held on 22 February 2007, regarding the capital increase of TRY 70.000.000, it was decided to give commitment for the use of preemptive rights of the Company amounting to TRY 59.473.750. TRY 42.481.250 of committed amount was paid in cash at 26 February 2007.

The Group companies signed a loan agreement with the European Investment Bank on 7 March 2007 in consideration of EUR 55.000.000 having a maturity of 8 years with 2 years grace period, for the finance of R&D investments and 2nd float line construction and coated glass investment projects of Trakya Yeniřehir Cam Sanayii A.ř., subsidiary of the Company with %84,9625 share. The Company together with Anadolu Cam Sanayi A.ř., Cam Elyaf Sanayi A.ř., Pařabahçe Cam San. ve Tic. A.ř. is jointly and severally guarantor to this loan granted to Türkiye řiře ve Cam Fabrikaları A.ř. and Trakya Yeniřehir Cam Sanayii A.ř.

35. DISCONTINUED OPERATIONS

None.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

36. OPERATING INCOME

NET SALES	1 January- 31 December 2006	1 January- 31 December 2005
Domestic sales	619.876.595	516.664.078
Export sales (*)	175.781.747	146.309.235
Sales discounts	(36.543.673)	(42.586.725)
Other discounts	(42.521.299)	(32.932.844)
Sales returns	(3.077.275)	(2.084.614)
Other income	-	21.461
	<u>713.516.095</u>	<u>585.390.591</u>

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

COST OF SALES	1 January- 31 December 2006	1 January- 31 December 2005
Raw materials consumed	(299.650.740)	(248.280.968)
Depreciation expense	(57.000.435)	(49.025.962)
Production overheads	(47.670.198)	(36.014.312)
Direct labor cost	(42.810.132)	(34.929.088)
Change in work in progress inventories	2.325.073	109.614
Change in finished goods inventories	10.678.553	18.927.212
Cost of goods sold	<u>(434.127.879)</u>	<u>(349.213.504)</u>
Cost of merchandises sold	(14.487.917)	(20.248.006)
	<u>(448.615.796)</u>	<u>(369.461.510)</u>

37. OPERATING EXPENSES

	1 January- 31 December 2006	1 January- 31 December 2005
General administrative expenses	(60.571.080)	(51.776.573)
Marketing, selling and distribution expenses	(50.360.142)	(33.879.290)
Research and development expenses	(5.689.828)	(6.744.123)
	<u>(116.621.050)</u>	<u>(92.399.986)</u>

For the period 01.01.2006 - 31.12.2006, TRY 5.620.657 of marketing, selling and distribution expenses (2005: TRY 4.961.280) and TRY 6.391.211 of general administrative expenses (2005: TRY 6.438.575) consist of depreciation expenses. TRY 252.928 of research and development expenses (2005: TRY 52.480), TRY 14.852.407 of marketing, selling and distribution expenses (2005: TRY 7.114.517) and TRY 22.350.190 of administrative expenses (2005: TRY 15.701.726) consist of personnel expenses.

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

38. OTHER OPERATING INCOME / EXPENSES

	1 January- 31 December 2006	1 January- 31 December 2005
Dividend income from subsidiaries	3.577.562	1.794.787
Equity method consolidation effect (**)	-	1.995.749
Commission income	571.971	644.134
Release of provisions	-	2.019.968
Profit on sales of broken glass	3.726.032	2.614.868
Income from facilities	1.132.583	716.868
Insurance claim income	605.619	447.289
Profit on sales of tangible assets	694.969	47.626
Other income	4.788.197	4.432.218
	<u>15.096.933</u>	<u>14.713.507</u>
Idle capacity expense (*)	(1.942.055)	(754.272)
Equity method consolidation effect (**)	(8.172.851)	-
Diminution in value of available for sale assets	(2.661.371)	-
Commission income	(1.800.355)	(1.114.299)
Provision expense	(147.742)	-
Impairment of tangible assets	(6.916.937)	-
Start up cost of furnace	(3.872.328)	-
Loss on sales of broken glass	(4.632.014)	(2.800.507)
Other expenses	(1.138.672)	(2.766.703)
	<u>(31.284.325)</u>	<u>(7.435.781)</u>

For the period 01.01.2006 - 31.12.2006, TRY 278.558 of idle capacity expense (2005: nil) consists of depreciation expense.

(**) Effect of equity method consolidation

	1 January- 31 December 2006	1 January- 31 December 2005
Çayırova Cam	176.250	1.319.368
Camiş Elektrik	(8.349.101)	676.381
	<u>(8.172.851)</u>	<u>1.995.749</u>

39. FINANCE EXPENSES (NET)

	1 January- 31 December 2006	1 January- 31 December 2005
Interest income	8.469.803	4.449.980
Foreign exchange gains	62.191.715	31.876.412
Discount income	312.457	388.348
Foreign exchange losses	(22.838.833)	(31.868.387)
Discount expense	(1.228.155)	(107.895)
Borrowing costs	(60.328.661)	(21.178.087)
	<u>(13.421.674)</u>	<u>(16.439.629)</u>

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40. NET MONETARY GAIN / LOSS

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

41. TAXES

The Group is subject to Turkish corporate taxes. Tax legislation in Turkey 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.

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 tax rate in 2006 and the following years is 20% (2005: 30%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was decreased to 20% for 2006 (2005: 30%). The excess advance tax paid of corporate income that was calculated at the rate of 30% during first two quarters of 2006 over 20% will be deducted from future advance tax returns.

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 between 1 - 25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1- 25 of the fourth month subsequent to the fiscal year end). 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 was 10% starting from 24 April 2003. This rate was changed to 15% by Article 15 in the Code numbered 5520 commencing from 21 June 2006. However, until the resolution of council of ministers, it was used as 10%. After the resolution declared in the Official Gazette on 23 July 2006, this rate has been changed to 15% effective from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments that are directly related to production facilities of the company within the scope of the investment incentive certificate. Investments without investment incentive certificates do not qualify for tax allowance.

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41. TAXES (cont'd)

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to the following years as of 31 December 2005 so as to be deducted from taxable income of the subsequent profitable years. Additionally, the investment expenditures made after 1 January 2006, which are economically and technically related to the investments made in accordance with 19th Article of Income Withholding Tax Law started before 1 January 2006, and expenditures made after 1 January 2006, which were related to investment incentive certificates obtained prior to 24 April 2003 could be carried forward. However, companies can deduct carried forward outstanding allowance from the 2006, 2007 and 2008's taxable income. The investment incentive amount that cannot be deducted from the 2008's taxable income will not be carried forward to the following years.

The tax rate that the companies can use in the case of deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Company cannot use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be forfeited.

Since the Group benefits from the investment incentive considering the consolidated subsidiaries as separate entities, the Group has applied 20% or 30% of corporate tax rate based on the separate entity basis.

Adjusted Tax Calculations According to Inflation

For 2003 and the previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". As inflation met certain thresholds in 2004, the Group adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 and inflation adjusted balances as at 31 December 2004 were taken as the opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds in 2005 and the following years, no further inflation adjustment made to the Group's statutory financial statements.

Tax provisions as of 31 December 2006 and 31 December 2005 are as follows :

	31 December 2006	31 December 2005
Corporate tax provision	27.131.462	33.584.344
Prepaid taxes and funds	<u>(19.444.568)</u>	<u>(24.128.211)</u>
	<u>7.686.894</u>	<u>9.456.133</u>

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41. TAXES (cont'd)

	31 December 2006	31 December 2005
Current year corporate tax provision	27.131.462	33.584.344
Deferred tax benefit / (charge)	(53.385.313)	(2.203.338)
Taxation per income statement	<u>(26.253.851)</u>	<u>31.381.006</u>
<u>Reconciliation of taxation:</u>	<u>2006</u>	<u>2005</u>
Profit before taxation and minority interest	118.670.183	114.367.192
Effective tax rate	%20	%30
Taxation calculated	23.734.037	34.310.158
Tax effects of:		
-Non deductible expenses	884.782	1.495.077
-Dividends and other non taxable income	(826.321)	(1.460.934)
-Investment incentives (*)	(17.525.781)	(3.275.068)
-Effect of the change in effective tax rate (**)	(46.229.344)	-
-Income / expenses not taxable/deductible	12.595.262	2.137.230
-consolidation adjustments	2.146.512	(1.645.004)
-effect of joint ventures abroad subject to different tax rates	(1.032.998)	(180.453)
Taxation per income statement	<u>(26.253.851)</u>	<u>31.381.006</u>

(*) Tax legislation in Turkey 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, are calculated on a separate-entity basis. In this respect, 30% of corporate tax rate is taken into consideration as the effective tax rate instead of 20% for the subsidiaries having the option to deduct carried forward outstanding investment allowance from the 2006, 2007 and 2008's taxable income.

(**) The 10% reduction in corporate tax rate has a positive effect on the period profit by TRY 46.229.344 .

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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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.

As of 31 December 2006 and 31 December 2005, the Company's weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to TRY 1) are as follows:

	1 January- 31 December 2006	1 January- 31 December 2005
Number of outstanding shares as of 1 January	22.760.000.000	22.760.000.000
Non-paid shares issued	6.562.618.400	-
Paid shares issued	-	-
Number of outstanding shares as of 31 December	29.322.618.400	22.760.000.000
Weighted average number of outstanding shares (0.01TRY /share)	29.322.618.400	29.322.618.400
Net period profit	144.522.567	82.924.927
Earnings per share (per 1 TRY share)	0,493	0,283

43. CASH FLOW STATEMENT

The statement of cash flow is presented in the financial statements.

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

Due to the extraordinary heavy rain on 2 July 2006, TR1 flat glass furnace of the Company's Trakya factory located in [Büyükkarıştıran Region](#) in Lüleburgaz was damaged and the production was ceased temporarily. Net carrying value of the parts and equipment of the related furnace amounts to TRY [6.771.420](#) and it was expensed under other operating income / expense. The repair and renewal of the furnace was completed as of 15 October 2006 and it has started production since then. The total cost of repair and renewal is TRY [15.869.922](#), which was capitalized as tangible assets and depreciated over the remaining useful life of the furnace. Costs associated with the start-up operations of the glass furnace amounting to TRY [3.872.328](#) were expensed under other operating income / expense. The Company's insurance covers both machinery, equipment, building and loss of profit due to discontinued production of the furnace. Required claim applications have been submitted to the insurance company and the related process continues as of the report date. The Company received an advance amount of USD [4.000.000](#) from the insurance company in August 2006. This advance was offset against net carrying value of the furnace damaged amounting to TRY [6.771.420](#) and for the remaining balance of net carrying value of the furnace, an income accrual of TRY 898.620 has been booked.