

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

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD
ENDED 30 JUNE 2006

*TRANSLATED INTO ENGLISH FROM
THE ORIGINAL TURKISH REPORT*

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

TRAKYA CAM SANAYİİ A.Ş.

LIMITED REVIEW REPORT
FOR THE PERIOD 1 JANUARY - 30 JUNE 2006

1. We have reviewed the accompanying consolidated interim balance sheet of Trakya Cam Sanayii A.Ş. (the “Company”) and its subsidiaries (together the “Group”) as of 30 June 2006, the related consolidated statement of income, changes in shareholders’ equity and cash flows for the six months period then ended in accordance with the Capital Market Board (the “CMB”) standards applicable to review engagements. Our review on the interim financial statements is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards issued by CMB. For the purpose of understanding the system of preparing the interim financial statements, our review consisted principally of applying analytical procedures, obtaining information and included such other review procedures, as we considered necessary in the circumstances. Accordingly, our review report should not be compared with the annual independent auditors’ report. We did not audit the financial statements of the joint venture, Trakya Glass Bulgaria EAD located in Bulgaria, which reflect total assets constituting 14% of the consolidated total assets at 30 June 2006, and total revenues constituting 10% of consolidated total revenues for the period then ended. Those statements were reviewed by another auditor whose report has been furnished to us, and our review, insofar as it relates to the amounts included for Trakya Glass Bulgaria EAD are based solely on the report of the other auditor.
2. Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above to be in conformity with generally accepted accounting principles determined by the CMB (Note 2), which have been applied consistently with the same interim period in the prior year.
3. Without qualifying our opinion, we draw attention to the following:

As a result of unusually heavy rain occurred on 2 July 2006 in Lüleburgaz, Büyükkarıştıran Region, where Trakya Factory of the Company is located, TR1 flat glass furnace was damaged due to flood and the production was stopped temporarily. The work to resume the production of furnace is going on. The factory is insured in terms of both machinery, equipment and buildings and for loss of profit due to discontinued production of the furnace. Necessary applications to the insurance company have been made. The monetary amount of the damage is not certain as of the date of this report.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU**

Selçuk Ürkmez
Partner

İstanbul, 5 September 2006

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TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2006 AND 31 DECEMBER 2005

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

| ASSETS | Note | 30 June 2006 | 31 December 2005 |
|---|------|----------------------|----------------------|
| Current Assets | | 398.875.690 | 309.006.475 |
| Cash and cash equivalents | 4 | 62.897.695 | 52.861.501 |
| Marketable securities (net) | 5 | - | - |
| Trade receivables (net) | 7 | 103.775.070 | 82.975.099 |
| Finance lease receivables (net) | 8 | - | - |
| Due from related parties (net) | 9 | 117.860.464 | 85.819.524 |
| Other receivables (net) | 10 | 7.282.882 | 3.853.852 |
| Biological assets (net) | 11 | - | - |
| Inventories (net) | 12 | 105.491.182 | 83.071.413 |
| Receivables from ongoing construction contracts (net) | 13 | - | - |
| Deferred tax assets | 14 | - | - |
| Other current assets | 15 | 1.568.397 | 425.086 |
| Non – Current Assets | | 978.332.375 | 991.611.447 |
| Trade receivables (net) | 7 | 71.269 | 71.269 |
| Finance lease receivables (net) | 8 | - | - |
| Due from related parties (net) | 9 | - | - |
| Other receivables (net) | 10 | - | - |
| Financial assets (net) | 16 | 139.828.702 | 202.495.978 |
| Goodwill (net) | 17 | - | - |
| Investment property (net) | 18 | - | - |
| Tangible assets (net) | 19 | 836.687.683 | 787.472.068 |
| Intangible assets (net) | 20 | 1.744.721 | 1.549.292 |
| Deferred tax assets (net) | 14 | - | - |
| Other long term assets | 15 | - | 22.840 |
| Total Assets | | 1.377.208.065 | 1.300.617.922 |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

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

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

| LIABILITIES | Note | 30 June 2006 | 31 December 2005 |
|---|-------------|-------------------------|-----------------------------|
| Current Liabilities | | 205.894.367 | 191.061.548 |
| Short term borrowings (net) | 6 | 92.209.330 | 81.983.146 |
| Short term portions of long term borrowings (net) | 6 | 30.879.814 | 15.017.871 |
| Obligations under finance leases (net) | 8 | - | - |
| Other financial liabilities (net) | 10 | - | - |
| Trade payables (net) | 7 | 18.739.700 | 19.472.274 |
| Due to related parties (net) | 9 | 39.188.489 | 56.789.878 |
| Advances received | 21 | 4.145.374 | 538.143 |
| Progress costs of ongoing construction contracts (net) | 13 | - | - |
| Provisions | 23 | 5.657.089 | 9.456.133 |
| Deferred tax liability | 14 | - | - |
| Other liabilities (net) | 15 | 15.074.571 | 7.804.103 |
| Non – Current Liabilities | | 246.496.504 | 239.965.397 |
| Long term borrowings (net) | 6 | 157.070.001 | 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 | 26.787.619 | 26.150.305 |
| Deferred tax liability | 14 | 62.100.129 | 98.608.909 |
| Other liabilities (net) | 15 | 538.755 | 1.441.438 |
| Minority Interest | 24 | 2.522.738 | 3.068.759 |
| EQUITY | | 922.294.456 | 866.522.218 |
| Capital | 25 | 293.226.184 | 227.600.000 |
| Adjustment to Share Capital | 25 | - | - |
| Capital reserves | 26 | 131.627.204 | 171.956.112 |
| Premium in excess of par | | - | - |
| Gain on cancellation of equity shares | | - | - |
| Revaluation reserve | | - | - |
| Revaluation reserve for financial assets | | 1.130.262 | 41.459.170 |
| Inflation adjustment of equity items | | 130.496.942 | 130.496.942 |
| Profit reserves | 27 | 217.281.418 | 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 | | 16.975.541 | 314.567 |
| Net Profit for the Period | | 78.679.988 | 82.924.927 |
| Retained Earnings | 28 | 201.479.662 | 207.865.865 |
| Total Equity and Liabilities | | 1.377.208.065 | 1.300.617.922 |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE INTERIM PERIODS ENDED 30 JUNE 2006 AND 30 JUNE 2005

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

| INCOME STATEMENT | Note | 1 January- 30 June 2006 | 1 April- 30 June 2006 | 1 January- 30 June 2005 | 1 April- 30 June 2005 |
|--|------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| OPERATING INCOME | | | | | |
| Sales revenue (net) | 36 | 322.669.838 | 188.016.149 | 284.794.526 | 154.876.758 |
| Cost of sales (-) | 36 | (203.460.171) | (114.392.480) | (166.463.162) | (98.967.958) |
| Other operating income / interest+dividend+rent (net) | 36 | - | - | - | - |
| GROSS OPERATING PROFIT | | 119.209.667 | 73.623.669 | 118.331.364 | 55.908.800 |
| Operating expenses (-) | 37 | (52.465.833) | (25.901.134) | (45.651.476) | (21.351.438) |
| NET OPERATING PROFIT | | 66.743.834 | 47.722.535 | 72.679.888 | 34.557.362 |
| Other operating income and profits | 38 | 47.156.937 | 34.435.576 | 25.946.072 | 9.101.072 |
| Other operating expense and losses (-) | 38 | (11.822.540) | (8.281.510) | (24.359.388) | (13.135.156) |
| Finance expenses (-) | 39 | (48.379.483) | (38.509.096) | (9.532.016) | (3.151.646) |
| OPERATING PROFIT | | 53.698.748 | 35.367.505 | 64.734.556 | 27.371.632 |
| Net monetary gain / loss | 40 | - | - | - | - |
| MINORITY INTEREST | | 546.021 | 543.113 | - | - |
| PROFIT BEFORE TAXATION | | 54.244.769 | 35.910.618 | 64.734.556 | 27.371.632 |
| Taxation | 41 | 24.435.219 | 29.311.792 | (18.280.131) | (9.330.580) |
| NET PROFIT FOR THE PERIOD | | 78.679.988 | 65.222.410 | 46.454.425 | 18.041.052 |
| EARNINGS PER SHARE | 42 | 0,268 | 0,222 | 0,158 | 0,062 |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS ENDED 30 JUNE 2006 AND 30 JUNE 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 | 108.116.483 | 48.223.565 | - | (11.843) | 297.641.933 | - | 821.998.650 |
| Disposal of subsidiary | - | - | - | - | - | - | - | 300.627 | - | 300.627 |
| Transfers | - | - | - | 10.421.439 | 9.099.260 | - | - | (19.520.699) | - | - |
| Dividends paid | - | - | - | - | - | - | - | (70.556.000) | - | (70.556.000) |
| Change in fair value of available for sale assets | - | (1.705.375) | - | - | - | - | - | - | - | (1.705.375) |
| Foreign currency translation effect | - | - | - | - | - | - | 131.111 | - | - | 131.111 |
| Net profit for the period | - | - | - | - | - | - | - | - | 46.454.425 | 46.454.425 |
| Balance as of 30 June 2005 | 227.600.000 | 8.226.195 | 130.496.942 | 118.537.922 | 57.322.825 | - | 119.268 | 207.865.861 | 46.454.425 | 796.623.438 |
| Balance as of 1 January 2006 | 227.600.000 | 41.459.170 | 130.496.942 | 118.537.922 | 57.322.825 | - | 314.567 | 290.790.792 | - | 866.522.218 |
| Increase in value of financial assets within the period prior to sales | - | 25.297.276 | - | - | - | - | - | - | - | 25.297.276 |
| Sales of financial assets | - | (65.626.184) | - | - | - | 65.626.184 | - | - | - | - |
| Capital increase | 65.626.184 | - | - | - | - | (65.626.184) | - | - | - | - |
| Transfers | - | - | - | 9.810.592 | 14.634.538 | - | - | (24.445.130) | - | - |
| Dividends paid | - | - | - | - | - | - | - | (64.866.000) | - | (64.866.000) |
| Foreign currency translation effect | - | - | - | - | - | - | 16.660.974 | - | - | 16.660.974 |
| Net profit for the period | - | - | - | - | - | - | - | - | 78.679.988 | 78.679.988 |
| Balance as of 30 June 2006 | 293.226.184 | 1.130.262 | 130.496.942 | 128.348.514 | 71.957.363 | - | 16.975.541 | 201.479.662 | 78.679.988 | 922.294.456 |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS ENDED 30 JUNE 2006 AND 30 JUNE 2005

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

| | Note | 1 January- 30 June 2006 | 1 January- 30 June 2005 |
|---|-------------|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net profit for the period | | 78.679.988 | 46.454.425 |
| Adjustments to reconcile net profit to net cash provided by operating activities: | | | |
| Depreciation of property, plant and equipment | 19 | 32.920.584 | 29.413.154 |
| Amortization of intangible assets | 20 | 213.972 | 101.342 |
| Diminution in value of financial assets | 16 | 2.181.157 | 132.781 |
| Accrued interest on borrowings | 6 | 3.837.190 | 953.513 |
| Changes in retirement pay provision | 23 | 2.806.583 | 1.944.884 |
| Changes in allowances for doubtful receivables | 7 | 187.409 | - |
| Changes in other provisions | | 3.138.456 | - |
| Accrued interest income and foreign exchange gains | | (3.664.962) | (2.754.538) |
| Gains from financial assets | | (1.440.531) | (3.194.800) |
| Accrued taxation | | (24.435.219) | 18.280.131 |
| Operating cash flow provided before changes in working capital | | 94.424.627 | 91.330.892 |
| Changes in working capital: | | | |
| Due from related parties | | (32.040.609) | (18.649.307) |
| Inventories | | (22.611.674) | (24.122.145) |
| Trade receivables | | (20.987.380) | (4.230.270) |
| Due to related parties | | (17.601.303) | 26.260.746 |
| Other liabilities and expense accruals | | 4.323.917 | 4.571.282 |
| Trade payables | | (732.671) | (1.601.115) |
| Advances received | | 3.607.231 | (76.877) |
| Other receivables and current assets | | (4.572.672) | (2.905.178) |
| Cash generated from operations | | 3.809.466 | 70.578.028 |
| Taxes paid | | (15.728.697) | (25.048.615) |
| Interest paid | | (2.903.528) | (3.178.580) |
| Retirement payments made | 23 | (2.169.269) | (132.310) |
| Net cash provided by / (used in) operating activities | | (16.992.028) | 42.218.523 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 3.664.962 | 2.754.538 |
| Changes in marketable securities (net) | | - | 526.363 |
| Changes in financial assets | | 20.157.215 | 170.809 |
| Purchases of property, plant and equipment | 19 | (70.778.943) | (56.012.328) |
| Purchases of intangible assets | 20 | (391.978) | (301.076) |
| Net book value of property, plant and equipment disposed | 19 | 1.015.585 | 353.141 |
| Change in translation reserve | | 4.126.801 | 131.111 |
| Income from financial assets | | 1.440.531 | 3.194.800 |
| Changes in other investing activities | | (879.846) | (189.482) |
| Net cash used in investing activities | | (41.645.673) | (49.372.124) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Changes in borrowings (net) | | 68.459.732 | (12.498.604) |
| Dividends paid | | (64.866.000) | (70.255.372) |
| Capital increase | | 65.626.184 | - |
| Changes in minority interests (net) | | (546.021) | - |
| Net cash provided by / (used in) financing activities | | 68.673.895 | (82.753.976) |
| NET CHANGES IN CASH AND CASH EQUIVALENTS | | 10.036.194 | (89.907.577) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | 4 | 52.861.501 | 145.612.209 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 4 | 62.897.695 | 55.704.632 |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 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”) and two joint ventures and one subsidiary 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) and Bulgaria (Targovishte). Headquarter of the Company is located at İş Kuleleri Kule 3, 4.Levent/ İstanbul.

Consolidated Subsidiaries:

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

| <u>Company Name</u> | <u>Nature of Business</u> | <u>Country of Registration</u> | <u>Segment</u> |
|-------------------------------|--|--------------------------------|--------------------------|
| Trakya Cam Investment BV | Finance and investment | Netherlands | Flat glass and glassware |
| Trakya Glass Bulgaria EAD | Production and sale of flat glass and glassware. | Bulgaria | Flat glass and glassware |
| Trakya Yenişehir Cam San.A.Ş. | Production and sale of flat glass | Turkey | Flat glass |

| | <u>30 June 2006</u> | | <u>31 December 2005</u> | |
|-------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|
| <u>Company Name</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> |
| Trakya Cam Investment BV | 70 | 70 | 70 | 70 |
| Trakya Glass Bulgaria EAD | - | 70 | - | 70 |
| Trakya Yenişehir Cam San.A.Ş. | 85 | 85 | 85 | 85 |

Associates:

| <u>Company Name</u> | <u>Nature of Business</u> | <u>Country of Registration</u> | <u>Segment</u> |
|------------------------|--|--------------------------------|----------------|
| Çayırova Cam San. A.Ş. | Production and sale of translucent glass | Turkey | Flat glass |
| Camiş Elektrik A.Ş. | Production and sale of electricity | Turkey | Chemical |

| | <u>30 June 2006</u> | | <u>31 December 2005</u> | |
|------------------------|---------------------------|------------------------------|---------------------------|------------------------------|
| <u>Company Name</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 |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

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

Shareholder structure of the Company:

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

| | <u>30 June 2006</u> | | <u>31 December 2005</u> | |
|--------------------------------|---------------------|------------------|-------------------------|------------------|
| | Share % | Share Amount TRY | Share % | Share Amount TRY |
| <u>Shareholders</u> | | | | |
| T.Şiše 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. | 5,85 | 17.153.732 | 5,85 | 13.308.652 |
| IFC | 0,07 | 205.258 | 0,07 | 150.000 |
| Other | 1,94 | 5.688.588 | 1,94 | 4.416.168 |
| Total | 100,00 | 293.226.184 | 100,00 | 227.600.000 |

Number of employees by category:

| | <u>30 June 2006</u> | <u>31 December 2005</u> |
|------------------------------|---------------------|-------------------------|
| Personel with monthly salary | 738 | 664 |
| Personel with hourly wage | 1.811 | 1.619 |
| Total | 2.549 | 2.283 |

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.

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

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

Accounting Standards Applied (cont'd):

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.

The exchange rate announced by the Turkish Central Bank as of 30 June 2006 is US Dollar 1 = TRY 1,6029, EUR 1 = TRY 2,0095 (31 December 2005: US Dollar 1 = TRY 1,3418, EUR 1 = TRY 1,5875).

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.

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.

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

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

Consolidation (cont'd) :

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.

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

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.

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

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

a. Revenue

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

b. Inventories

Inventories are stated at the lower of cost or net realizable value (market value less sales expenses) 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 | 5 years |
| Furniture and fixtures | 2-15 years |
| Leasehold improvements | 4-5 years |
| Rights | 3-10 years |

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

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

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

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

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.

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.

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

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

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

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

g. Financial Instruments (cont'd)

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

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

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.

Financial assets

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

Trade receivables

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

Borrowings

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

Credit risk

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

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

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

g. Financial Instruments (cont'd)

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).

j. Events After Balance Sheet Date

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

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

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

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.

The Group does not recognize contingent assets in the financial statements.

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.

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.

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

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. Operations with related parties are realized with the prices in line with the market conditions.

o. Segmental Information

None.

p. Construction Agreements

None.

r. Discontinued Operations

None.

s. Government Grants and Incentives

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

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

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

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

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

s. Government Grants and Incentives (cont'd)

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

t. Investment Property

None.

u. Taxation and Deferred Income Taxes

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

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

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

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

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

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

v. Employee Benefits / Retirement Pay Provision

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

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

y. Retirement Plans

None.

z. Agricultural Activities

None.

aa. 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.

ab. Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations except effects which are conflicting in the obligated forms of the declaration dated 20 December 2004 by CMB.

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

IFRS 7 Financial Instruments: Disclosures

IFRIC 10 Interim Financial Reporting and Impairment

IAS 1 Presentation of Financial Statements – Additional Disclosures in Relation to Share Capital

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

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

4. CASH AND CASH EQUIVALENTS

| | <u>30 June 2006</u> | <u>31 December 2005</u> |
|---------------------|-------------------------|-----------------------------|
| Cash | 27.089 | 17.171 |
| Time deposits | 51.110.897 | 31.757.041 |
| Demand deposits (*) | <u>11.759.709</u> | <u>21.087.289</u> |
| | <u>62.897.695</u> | <u>52.861.501</u> |

(*) TRY 1.553.186 of the demand deposits are blocked for salary payments which was made on 1 July 2006 (31 December 2005: TRY 1.096.345).

Time deposits

| <u>Currency type</u> | <u>Interest rate (%)</u> | <u>Maturity Date</u> | <u>30 June 2006</u> |
|----------------------|------------------------------|--------------------------|-------------------------|
| EURO | 3,00-3,35 | 24.07.2006 | 41.041.763 |
| TRY | 17,25 | 04.07.2006 | 10.008.036 |
| Accrued interest | | | 61.098 |
| | | | <u>51.110.897</u> |

| <u>Currency type</u> | <u>Interest rate (%)</u> | <u>Maturity Date</u> | <u>31 December 2005</u> |
|----------------------|------------------------------|--------------------------|-----------------------------|
| EURO | 3,05-3,25 | 30.01.2006 | 26.354.671 |
| USD | 4,50 | 27.01.2006 | 5.367.200 |
| Accrued interest | | | 35.170 |
| | | | <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 INTERIM PERIOD ENDED 30 JUNE 2006.

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6. BORROWINGS

| | 30 June 2006 | 31 December 2005 |
|---|--------------------|---------------------|
| Short term bank loans | 92.209.330 | 81.983.146 |
| Current portion of long term bank loans | 30.879.814 | 15.017.871 |
| Total short term borrowings | <u>123.089.144</u> | <u>97.001.017</u> |
| Long term portion of long term bank loans | 157.070.001 | 113.764.745 |
| Total borrowings | <u>280.159.145</u> | <u>210.765.762</u> |
| Repayment periods of borrowings are as follows: | | |
| | 30 June 2006 | 31 December 2005 |
| Within one year | 123.089.144 | 97.001.017 |
| Between one and two years | 24.905.100 | 17.629.513 |
| Between two and three years | 36.039.652 | 8.486.814 |
| Between three and four years | 36.038.683 | 5.694.114 |
| After four years | 60.086.566 | 81.954.304 |
| | <u>280.159.145</u> | <u>210.765.762</u> |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

6. BORROWINGS (cont'd)

Short term borrowings are as follows:

| | | 30 June 2006 | | | 31 December 2005 | | |
|---------------|-------------------|-----------------|-----------------|-------------------|------------------|-----------------|-------------------|
| Currency Type | | Interest Rate % | Currency Amount | TRY | Interest Rate % | Currency Amount | TRY |
| USD | Cam Pazarlama | 5,50 - 5,83 | 7.500.000 | 12.021.750 | 5,49-5,50 | 7.600.000 | 10.197.680 |
| EURO | Cam Pazarlama | 2,94 - 3,96 | 32.300.000 | 64.906.850 | 3,02-3,54 | 40.225.366 | 63.857.769 |
| EURO | Citibank | 5,00 | 2.064.017 | 4.147.642 | - | - | - |
| TRY | Cam Pazarlama | 11,00 – 15,00 | - | 5.600.000 | 12,00-13,00 | - | 4.800.000 |
| TRY | İş Bankası | - | - | - | 13,00-15,00 | - | 2.000.000 |
| TRY | Eximbank | 11,00 – 15,00 | - | 2.000.000 | - | - | - |
| TRY | İş Bankası | - | - | 2.003.496 | - | - | 435.702 |
| | Interest Accrual: | | | 1.529.592 | | | 691.995 |
| | | | | <u>92.209.330</u> | | | <u>81.983.146</u> |

Current portion of long term borrowings are as follows:

| | | 30 June 2006 | | | 31 December 2005 | | |
|---------------|-------------------|-----------------|-----------------|-------------------|------------------|-----------------|-------------------|
| Currency Type | | Interest Rate % | Currency Amount | TRY | Interest Rate % | Currency Amount | TRY |
| USD | IFC | - | - | - | 8,06 | 1.665.714 | 2.235.055 |
| USD | IFC | 7,74-7,99 | 2.130.306 | 3.414.667 | 7,74-7,99 | 2.130.306 | 2.858.445 |
| EURO | IFC | 5,65-5,90 | 5.304.610 | 10.659.614 | 5,65-5,90 | 5.304.610 | 8.421.068 |
| | | 6 months | | | | | |
| EURO | IFC | EURIBOR + 2,65 | 7.381.053 | 14.832.225 | - | - | - |
| | Interest Accrual: | | | 1.973.308 | | | 1.503.303 |
| | | | | <u>30.879.814</u> | | | <u>15.017.871</u> |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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6. BORROWINGS (cont'd)

Long term portion of long term borrowings are as follows:

| | | 30 June 2006 | | | | 31 December 2005 | | | |
|-----------------|------------------|-----------------|------------------------|------------------------|-------------|------------------|------------------------|------------------------|------------|
| <u>Currency</u> | | <u>Maturity</u> | <u>Interest Rate %</u> | <u>Currency Amount</u> | <u>TRY</u> | <u>Maturity</u> | <u>Interest Rate %</u> | <u>Currency Amount</u> | <u>TRY</u> |
| EURO | EBRD | 2014 | 3,81 - 4,15 | 1.615.385 | 3.246.116 | - | - | - | - |
| EURO | EBRD | 2013 | 3,81 - 4,15 | 3.230.769 | 6.492.230 | - | - | - | - |
| EURO | EBRD | 2012 | 3,81 - 4,15 | 3.230.769 | 6.492.230 | - | - | - | - |
| EURO | EBRD | 2011 | 3,81 - 4,15 | 3.230.769 | 6.492.230 | - | - | - | - |
| EURO | EBRD | 2010 | 3,81 - 4,15 | 3.230.769 | 6.492.230 | - | - | - | - |
| EURO | EBRD | 2009 | 3,81 - 4,15 | 3.230.769 | 6.492.230 | - | - | - | - |
| EURO | EBRD | 2008 | 3,81 - 4,15 | 3.230.769 | 6.492.230 | - | - | - | - |
| EURO | IFC | 2010 | 5,65-5,90 | 1.339.150 | 2.691.023 | 2010 | 5,65 - 5,90 | 1.339.150 | 2.125.901 |
| EURO | IFC | 2009 | 5,65-5,90 | 2.678.300 | 5.382.044 | 2009 | 5,65 - 5,90 | 2.678.300 | 4.251.801 |
| EURO | IFC | 2008 | 5,65-5,90 | 3.991.455 | 8.020.829 | 2008 | 5,65 - 5,90 | 3.991.455 | 6.336.435 |
| EURO | IFC | 2007 | 5,65-5,90 | 2.652.305 | 5.329.807 | 2007 | 5,65 - 5,90 | 5.304.610 | 8.421.068 |
| | | | 6 months | | | | 6 months | | |
| EURO | IFC | 2012 | EURIBOR + 2,65 | 2.868.261 | 5.763.771 | 2012 | EURIBOR + 2,65 | 17.048.297 | 27.064.171 |
| | | | 6 months | | | | | | |
| EURO | IFC | 2011 | EURIBOR + 2,65 | 2.868.258 | 5.763.766 | - | - | - | - |
| | | | 6 months | | | | 6 months | | |
| EURO | IFC | 2010 | EURIBOR + 2,65 | 11.141.541 | 22.388.926 | 2010 | EURIBOR + 2,40 | 32.783.041 | 52.043.077 |
| | | | 6 months | | | | | | |
| EURO | IFC | 2009 | EURIBOR + 2,65 | 11.141.541 | 22.388.926 | - | - | - | - |
| | | | 6 months | | | | | | |
| EURO | IFC | 2008 | EURIBOR + 2,65 | 11.141.541 | 22.388.926 | - | - | - | - |
| | | | 6 months | | | | | | |
| EURO | IFC | 2007 | EURIBOR + 2,40 | 3.760.927 | 7.557.582 | - | - | - | - |
| USD | IFC | 2010 | 7,99 | 537.454 | 861.485 | 2010 | 7,99 | 537.454 | 721.155 |
| USD | IFC | 2009 | 7,99 | 1.074.909 | 1.722.973 | 2009 | 7,99 | 1.074.909 | 1.442.313 |
| USD | IFC | 2008 | 7,74 - 7,99 | 1.602.608 | 2.568.822 | 2008 | 7,74 - 7,99 | 1.602.608 | 2.150.379 |
| USD | IFC | 2007 | 7,74 - 7,99 | 1.602.608 | 1.707.335 | 2007 | 7,74 - 7,99 | 2.130.306 | 2.858.445 |
| EURO | RABOBANK | - | - | - | - | 2007 | 3,44 | 4.000.000 | 6.350.000 |
| | Interest accrual | | | | 334.290 | - | - | - | - |
| | | | | | 157.070.001 | | | | |
| | | | | | | 113.764.745 | | | |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

7. TRADE RECEIVABLES AND PAYABLES

| | 30 June 2006 | 31 December 2005 |
|--|--------------------|---------------------|
| <u>Current Trade Receivables (Net)</u> | | |
| Trade receivables | 103.947.322 | 82.949.211 |
| Deposits and guarantees given | 15.157 | 25.888 |
| Provision for doubtful receivables | (187.409) | - |
| | <u>103.775.070</u> | <u>82.975.099</u> |
| <u>Non-Current Trade Receivables (Net)</u> | | |
| Deposits and guarantees given | <u>71.269</u> | <u>71.269</u> |
| | | |
| | 30 June 2006 | 31 December 2005 |
| <u>Trade Payables (Net)</u> | | |
| Short term trade payables | 18.547.168 | 19.324.875 |
| Deposits and guarantees received | 192.532 | 147.399 |
| | <u>18.739.700</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 INTERIM PERIOD ENDED 30 JUNE 2006.

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

9. DUE FROM/TO RELATED PARTIES

| | 30 June 2006 | 31 December 2005 |
|---|--------------------|---------------------|
| <u>Deposits held at İş Bankası:</u> | | |
| Demand deposits | 9.034.930 | 18.524.216 |
| Time deposits | 51.110.897 | 31.757.041 |
| | <u>60.145.827</u> | <u>50.281.257</u> |
| <u>Borrowings:</u> | | |
| İş Bankası | 2.003.496 | 2.435.702 |
| Through Cam Pazarlama | 82.528.600 | 78.855.449 |
| | <u>84.532.096</u> | <u>81.291.151</u> |
| <u>Trade receivables from related parties:</u> | | |
| Cam Pazarlama | 33.744.074 | 23.364.787 |
| | <u>33.744.074</u> | <u>23.364.787</u> |
| <u>Other receivables from related parties:</u> | | |
| Cam Pazarlama | 48.866.390 | 16.150.680 |
| Camiş Limited | 23.059.368 | 19.222.371 |
| Paşabahçe Cam | 8.302.020 | 2.238.318 |
| Camiş Madencilik | 2.171.990 | 149.687 |
| Trakya Cam Bulgaria EAD | 546.745 | 4.785.306 |
| Anadolu Cam Yenişehir | 492.546 | - |
| Çayırova Cam | 306.102 | 149.532 |
| Camiş Elektrik | 281.265 | 3.669.385 |
| Paşabahçe Mağazaları Sofia | 211.543 | - |
| Trakya Cam Investment BV | 130.485 | 16.159.220 |
| Şişecam Sigorta | 30.361 | - |
| Camiş Menkul Değerler A.Ş. | 18.297 | - |
| Camiş Lojistik | 2.128 | - |
| Anadolu Sigorta | 1.613 | 6.350 |
| Paşabahçe Mağazaları | 1.539 | - |
| Camiş Ambalaj | 237 | - |
| Denizli Cam | 150 | - |
| Paşabahçe Eskişehir | 52 | 76.248 |
| İstanbul Porselen | 41 | - |
| Oxyvit Kimya | - | 247 |
| | <u>84.422.872</u> | <u>62.607.344</u> |
| Discount (-) | (306.482) | (152.607) |
| Total receivables from related parties | <u>117.860.464</u> | <u>85.819.524</u> |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

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

| | 30 June 2006 | 31 December 2005 |
|--|-------------------|---------------------|
| <u>Trade payables to related parties:</u> | | |
| Camiş Limited | 5.114.028 | 4.552.508 |
| Camiş Elektrik | 2.217.276 | 2.258.891 |
| Şişecam Holding | 897.275 | 2.116.091 |
| Şişecam Sigorta | 393.223 | 219.902 |
| Soda Sanayi | 673.395 | 642.359 |
| Camiş Madencilik | 427.220 | 559.877 |
| Camiş Lojistik | 169.064 | 842.139 |
| Paşabahçe Cam | 580.175 | 223.517 |
| Trakya Cam Bulgaria EAD | 31.676 | - |
| Cam Pazarlama | - | 1.671.178 |
| Şişecam Bulgaria | - | 30.675 |
| Anadolu Cam | - | 14.269 |
| Camiş Ambalaj | - | 1.564 |
| | <u>10.503.332</u> | <u>13.132.970</u> |
| <u>Other payables to related parties:</u> | | |
| Cam Pazarlama | 7.123.471 | 8.197.343 |
| Anadolu Cam | 6.891.202 | 5.383.143 |
| Şişecam Holding | 3.541.852 | 5.684.173 |
| Camiş Limited | 3.346.134 | 153.172 |
| Camiş Lojistik | 3.127.105 | 2.664.082 |
| Soda Sanayi | 1.251.344 | 1.121.509 |
| Trakya Cam Bulgaria EAD | 984.789 | - |
| Anadolu Cam Yenişehir | 778.247 | - |
| Şişecam Sigorta | 527.228 | 132.131 |
| Paşabahçe Cam | 380.204 | 17.957.636 |
| Cam Elyaf | 231.223 | - |
| Paşabahçe Mağazaları Sofia | 169.575 | - |
| Solvay Şişecam Holding AG | 154.922 | - |
| Şişecam Bulgaria Limited | 95.500 | - |
| Paşabahçe Mağazaları | 8.245 | 7.125 |
| Ferro Döküm | 736 | - |
| İstanbul Porselen Sanayi A.Ş. | 41 | - |
| Camiş Ambalaj | 26 | - |
| Cam Elyaf | - | 592.502 |
| Çayırova Cam | - | 106.535 |
| Camiş Ambalaj | - | 30 |
| Camiş Madencilik | - | 1.517.259 |
| Denizli Cam | - | 923 |
| Others | 275.020 | 230.477 |
| | <u>28.886.864</u> | <u>43.748.040</u> |
| Discount (-) | (201.707) | (91.132) |
| Total payables to related parties | <u>39.188.489</u> | <u>56.789.878</u> |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

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

| | <u>30 June 2006</u> | <u>30 June 2005</u> |
|--|---------------------|---------------------|
| <u>Sales to related parties</u> | | |
| Cam Pazarlama | 73.087.849 | 62.462.690 |
| Paşabahçe Cam | 9.462.085 | 26.723 |
| Anadolu Cam Yenişehir | 40.289 | 124 |
| Denizli Cam | 22.749 | 107.344 |
| Anadolu Cam | 4.773 | 319.488 |
| Soda Sanayi | 3.403 | - |
| Camiş Lojistik | 1.812 | - |
| Paşabahçe Eskişehir | - | 20.400 |
| | <u>82.622.960</u> | <u>62.936.769</u> |
| <u>Purchases from related parties</u> | | |
| Soda Sanayi | 20.050.061 | 18.177.809 |
| Camiş Madencilik | 15.624.969 | 15.304.843 |
| Cam Pazarlama | 11.707.584 | 20.942.236 |
| Camiş Elektrik | 11.469.720 | 9.597.723 |
| Camiş Limited | 5.693.203 | - |
| Şişecam Bulgaria | 2.183.476 | - |
| Paşabahçe Cam | 2.107.099 | 1.805.278 |
| Solvey Bulgaria | 454.329 | - |
| Anadolu Cam Yenişehir | 184.283 | - |
| Çayırova Cam | 82.737 | 2.967.165 |
| Cam Elyaf | 19.271 | 17.953 |
| Ferro Döküm | 622 | - |
| Anadolu Cam | - | 97.838 |
| Denizli Cam | - | 29.661 |
| Paşabahçe Mağazaları | - | 1.731 |
| | <u>69.577.354</u> | <u>68.942.237</u> |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

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

| | 30 June 2006 | 30 June 2005 |
|---|------------------|------------------|
| <u>Interest income from / (expense to) related parties</u> | | |
| Cam Pazarlama | 1.043.971 | 241.900 |
| Camiş Elektrik | 185.096 | (326.311) |
| Camiş Ltd. | 158.817 | 674.230 |
| Şişecam Holding | 76.761 | 26.567 |
| Çayırova Cam | 13.701 | (180.409) |
| Paşabahçe Eskişehir | 1.784 | (2.816) |
| Denizli Cam | 143 | 162 |
| Ferro Döküm | - | (557) |
| Camiş Ambalaj | (33) | (20) |
| Paşabahçe Mağazaları | (552) | (286) |
| Anadolu Cam | (2.489) | 131.130 |
| Anadolu Cam Yenişehir | (4.954) | - |
| Camiş Lojistik | (46.764) | (274.850) |
| Soda Sanayi | (49.812) | (325.396) |
| Cam Elyaf | (45.695) | (3.346) |
| Camiş Madencilik | (76.770) | (132.729) |
| Paşabahçe Cam | (128.560) | (221.481) |
| | <u>1.124.644</u> | <u>(394.212)</u> |
| <u>Service income</u> | | |
| Paşabahçe Cam | 415.258 | 537.349 |
| Camiş Madencilik | 54.388 | 52.307 |
| Şişecam Holding | 21.234 | 22.805 |
| Camiş Elektrik | 10.617 | 11.406 |
| Anadolu Cam | 10.148 | - |
| | <u>511.645</u> | <u>623.867</u> |
| <u>Rent income</u> | | |
| Paşabahçe Cam | 111.573 | - |
| Camiş Madencilik | 97.060 | 92.690 |
| | <u>208.633</u> | <u>92.690</u> |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

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

| | <u>30 June 2006</u> | <u>30 June 2005</u> |
|----------------------------------|---------------------|---------------------|
| <u>Rent expense</u> | | |
| Şişecam | 701.102 | 688.699 |
| Çayırova Cam | 246.312 | 234.900 |
| Cam Pazarlama | 22.092 | - |
| Paşabahçe Cam | 5.110 | - |
| Camiş Ambalaj | - | 591 |
| | <u>974.616</u> | <u>924.190</u> |
| <u>Service share paid</u> | | |
| Şişecam Holding | 4.427.068 | 4.670.712 |
| Camiş Lojistik | 332.511 | - |
| Paşabahçe Cam | 244.922 | - |
| Cam Elyaf | 8.400 | - |
| Çayırova Cam | - | 61.565 |
| Camiş Madencilik | - | 37.457 |
| Camiş Elektrik | - | 779 |
| | <u>5.012.901</u> | <u>4.770.513</u> |
| <u>Commissions paid</u> | | |
| Paşabahçe Cam | 1.452.500 | - |
| Camiş Lojistik | 804.893 | 775.755 |
| Cam Pazarlama | 361.423 | 555.093 |
| Şişecam Holding | 255.615 | 229.030 |
| | <u>2.874.431</u> | <u>1.559.878</u> |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

10. OTHER RECEIVABLES AND PAYABLES

| | 30 June 2006 | 31 December 2005 |
|--|------------------|---------------------|
| <u>Other Trade Receivables</u> | | |
| VAT carried forward | 4.936.766 | 3.109.389 |
| Prepaid taxes and funds | 1.418 | - |
| Other receivables | 648.631 | 563.763 |
| Receivables from personnel | 541.685 | 180.700 |
| Businesss advances | 1.154.382 | - |
| Doubtful receivables | 238.831 | 238.831 |
| Provision for doubtful receivables (-) | (238.831) | (238.831) |
| | <u>7.282.882</u> | <u>3.853.852</u> |

11. BIOLOGICAL ASSETS

None.

12. INVENTORIES (NET)

| | 30 June 2006 | 31 December 2005 |
|--|--------------------|---------------------|
| Raw materials | 38.478.192 | 28.747.222 |
| Work in progress | 19.790.521 | 14.309.280 |
| Finished goods | 42.725.710 | 38.534.521 |
| Trade goods | 1.207.859 | 61.493 |
| Other inventories | 137.562 | 479.665 |
| Allowance for diminution in value of inventories (-) | (198.890) | (6.985) |
| Order advances given | 3.350.228 | 946.217 |
| | <u>105.491.182</u> | <u>83.071.413</u> |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

13. RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS AND PROGRESS COSTS

None.

14. DEFERRED TAX ASSETS AND LIABILITIES

Deferred Tax:

The 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.

The basis for the deferred tax is as follows:

| | 30 June 2006 | 31 December 2005 |
|--|----------------------------|----------------------------|
| <u>Temporary differences subject to deferred tax:</u> | | |
| Differences in valuation and amortization of tangible assets | 361.104.765 | 359.785.636 |
| Retirement pay provision | (26.884.349) | (26.149.654) |
| Non-real finance expenses | (465.682) | (558.818) |
| Unused investment incentive | (3.007.367) | (828.043) |
| Restatement of inventories | (26.106) | 652.384 |
| Discount on receivables and payables | (1.417.707) | (914.217) |
| Accumulated losses | (11.732.779) | (5.003.711) |
| Income and expense accruals (net) | (2.041.893) | (91.746) |
| | <u>315.528.882</u> | <u>326.891.831</u> |
| <u>Deferred tax (assets) / liabilities:</u> | | |
| Differences in valuation and amortization of tangible assets | 71.762.990 | 107.725.358 |
| Retirement pay provision | (5.389.369) | (7.843.760) |
| Non-real finance expenses | (93.136) | (167.645) |
| Unused investment incentive | (902.210) | (248.413) |
| Restatement of inventories | (5.221) | 195.715 |
| Discount on receivables and payables | (283.541) | (274.265) |
| Accumulated losses | (2.673.136) | (750.557) |
| Income and expense accruals (net) | (316.248) | (27.524) |
| | <u>62.100.129</u> | <u>98.608.909</u> |
| <u>Deferred tax liability movement:</u> | | |
| | 1 January- 30 June 2006 | 1 January- 30 June 2005 |
| 1 January, opening balance | 98.608.909 | 100.812.247 |
| Effect of the change in tax rate | (33.148.835) | - |
| Foreign currency translation effect | (143.908) | - |
| Deferred tax (benefit) / expense | (3.216.037) | 397.275 |
| 30 June, closing balance | <u>62.100.129</u> | <u>101.209.522</u> |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

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

Other Current Assets

| | 30 June 2006 | 31 December 2005 |
|------------------|------------------|---------------------|
| Prepaid expenses | 1.423.157 | 425.086 |
| Income accruals | 145.240 | - |
| | <u>1.568.397</u> | <u>425.086</u> |

Other Long Term Assets

| | 30 June 2006 | 31 December 2005 |
|------------------|-----------------|---------------------|
| Prepaid expenses | - | 22.840 |
| | <u>-</u> | <u>22.840</u> |

Other Short Term Liabilities

| | 30 June 2006 | 31 December 2005 |
|----------------------------------|-------------------|---------------------|
| Taxes and dues payable | 5.387.911 | 2.811.148 |
| Social security premiums payable | 2.475.210 | 3.329.631 |
| Payables to personnel | 1.639.241 | 1.326.797 |
| Other payables | 459.000 | 154.019 |
| Expense accruals | 2.898.884 | 112.497 |
| Provisions | 2.214.325 | 70.011 |
| | <u>15.074.571</u> | <u>7.804.103</u> |

Other Long Term Liabilities

| | 30 June 2006 | 31 December 2005 |
|----------------------------------|-----------------|---------------------|
| Taxes and dues payable | - | 993.807 |
| Income related to future periods | 515.732 | 416.096 |
| Deposits and guarantees received | 23.023 | 31.535 |
| | <u>538.755</u> | <u>1.441.438</u> |

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

16. FINANCIAL ASSETS (NET)

| | Share % | 30 June 2006 | Share % | 31 December 2005 |
|---------------------------------------|------------|-----------------|------------|---------------------|
| <u>Associates</u> | | | | |
| Çayırova Cam San. A.Ş. (*) | 28,13 | 29.418.555 | 28,13 | 30.579.381 |
| Camiş Elektrik A.Ş. (*) | 34,43 | 32.300.668 | 34,43 | 32.256.540 |
| <u>Unconsolidated subsidiaries</u> | | | | |
| Trakya Glass Logistics EAD. (***) | 70,00 | 359.604 | - | - |
| <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 | 1.421.517 | 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 |
| | | 154.018.011 | | 214.504.130 |
| Valuation allowances (****) | | (14.189.309) | | (12.008.152) |
| Net | | 139.828.702 | | 202.495.978 |

(*) 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).

(***) Trakya Glass Logistics EAD is a 100% owned subsidiary of Trakya Glass Bulgaria EAD. Since the Company has not started its operations, it is not consolidated as of 30 June 2006.

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

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.

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

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

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

Associates accounted using the equity method:

| | 30 June 2006 | 31 December 2005 |
|--|-------------------|---------------------|
| Cost of investment in associates | 72.454.204 | 72.454.204 |
| Share of post-acquisition profit, net of dividend received | (10.734.981) | (9.618.283) |
| | <u>61.719.223</u> | <u>62.835.921</u> |

| <u>Company Name</u> | <u>Place of operation</u> | <u>Proportion of ownership interest</u> | <u>Principal activity</u> |
|------------------------|---------------------------|---|---------------------------|
| Çayırova Cam San. A.Ş. | Turkey-Çayırova | 28,13% | Flat glass |
| Camış Elektrik A.Ş. | Turkey-İstanbul | 34,43% | Electricity production |

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

| | 30 June 2006 | 31 December 2005 |
|---|-------------------------------|-------------------------------|
| Total assets | 272.907.004 | 232.025.087 |
| Total liabilities | (74.509.409) | (29.628.709) |
| Net assets | <u>198.397.595</u> | <u>202.396.378</u> |
| Group's share of associates' net assets | <u>61.719.223</u> | <u>62.835.921</u> |
| | 1 January- 30 June 2006 | 1 January- 30 June 2005 |
| Net sales | 25.894.444 | 28.580.946 |
| Net profit / (loss) for the period | (696.004) | 4.567.504 |
| Group's share of Associates' net profit / (loss) for the period | (212.815) | 1.400.321 |

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

Joint ventures:

Trakya Investment BV and Trakya Glass Bulgaria 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:

| | 30 June 2006 | 31 December 2005 |
|-------------------------|-------------------------------|-------------------------------|
| Current assets | 45.158.651 | 31.664.495 |
| Non-current assets | 295.382.215 | 186.954.101 |
| Short term liabilities | (39.315.361) | (73.950.748) |
| Non-current liabilities | (87.686.529) | (79.742.174) |
| | 1 January- 30 June 2006 | 1 January- 30 June 2005 |
| Incomes | 35.286.033 | 557.624 |
| Expenses | (32.315.794) | (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>Acquisition 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 | 133.310 | 35.965 | 4.090.360 | 7.621.127 | 202.741 | 627.047 | 3.725 | - | 12.714.275 |
| Additions | - | 179.259 | 36.015.500 | 85.721.288 | 4.592.727 | 3.587.272 | 320.492 | - | 130.416.538 |
| Disposals | - | (29.078) | - | (6.018.063) | (360.678) | (4.950.894) | (77.648) | - | (11.436.361) |
| Closing balance, 30 June 2006 | 10.169.245 | 29.471.406 | 297.726.850 | 1.000.288.676 | 8.761.543 | 67.366.268 | 6.515.289 | 3.637.029 | 1.423.936.306 |
| <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 | - | (1.178) | (52.061) | (247.120) | (15.722) | (23.962) | (1.391) | - | (341.434) |
| Charge for the year | - | (314.999) | (2.773.151) | (27.482.085) | (442.623) | (1.547.624) | (272.524) | (87.578) | (32.920.584) |
| Disposals | - | 7.746 | - | 5.917.266 | 271.298 | 4.220.422 | 4.044 | - | 10.420.776 |
| Closing balance, 30 June 2006 | - | (6.840.024) | (54.336.160) | (511.522.536) | (2.357.628) | (52.357.626) | (4.016.327) | (3.233.973) | (634.664.274) |
| Construction in progress and advances given – 30 June 2006 | | | | | | | | | 47.415.651 |
| Net Book Value as of 30 June 2006 | 10.169.245 | 22.631.382 | 243.390.690 | 488.766.140 | 6.403.915 | 15.008.642 | 2.498.962 | 403.056 | 836.687.683 |
| 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 |

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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>Acquisition cost</u> | | | | | | | | | |
| Opening balance, 1 January 2005 | 10.342.374 | 28.928.101 | 241.346.274 | 892.488.456 | 2.851.660 | 63.083.795 | 5.615.231 | 3.661.888 | 1.248.317.779 |
| Additions | - | 127.790 | 170.491 | 9.478.770 | 256.937 | 652.525 | 105.901 | 396 | 10.792.810 |
| Disposals | (307.707) | - | (3.282) | - | (20.193) | (2.151) | (1.422) | (37.859) | (372.614) |
| Closing balance, 30 June 2005 | 10.034.667 | 29.055.891 | 241.513.483 | 901.967.226 | 3.088.404 | 63.734.169 | 5.719.710 | 3.624.425 | 1.258.737.975 |
| <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) |
| Charge for the year | - | (289.604) | (2.413.092) | (25.154.359) | (159.962) | (1.078.231) | (233.236) | (84.670) | (29.413.154) |
| Disposals | - | - | - | - | 14.161 | 5.087 | 225 | - | 19.473 |
| Closing balance, 30 June 2005 | - | (6.231.482) | (48.886.482) | (496.163.127) | (1.966.784) | (54.244.463) | (3.529.956) | (3.055.293) | (614.077.587) |
| Construction in progress and advances given –30 June 2005 | | | | | | | | | 82.111.892 |
| Net book value as of 30 June 2005 | 10.034.667 | 22.824.409 | 192.627.001 | 405.804.099 | 1.121.620 | 9.489.706 | 2.189.754 | 569.132 | 726.772.280 |
| Construction in progress and advances given –31 December 2004 | | | | | | | | | 36.892.374 |
| Net book value as of 31 December 2004 | 10.342.374 | 22.986.223 | 194.872.884 | 421.479.688 | 1.030.678 | 9.912.476 | 2.318.286 | 691.265 | 700.526.248 |

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20. INTANGIBLE ASSETS (NET)

Intangible assets comprise of computer programs and other intangible assets. Amortization of intangible assets for the current period is TRY 213.972 (for the 6 month of 2005: TRY 101.342), additions during the period is TRY 391.978 (for the 6 month of 2005: TRY 301.076), and foreign currency translation effect arising from joint ventures operating in foreign countries is TRY 17.423 for the period.

21. ADVANCES RECEIVED

| | 30 June 2006 | 31 December 2005 |
|-------------------------|------------------|---------------------|
| Order advances received | <u>4.145.374</u> | <u>538.143</u> |

22. RETIREMENT PLANS

None.

23. PROVISIONS

Short Term Provisions

| | 30 June 2006 | 31 December 2005 |
|--------------------------------|--------------------|---------------------|
| Corporate income tax provision | 11.929.653 | 33.584.344 |
| Prepaid taxes and funds | <u>(6.272.564)</u> | <u>(24.128.211)</u> |
| | <u>5.657.089</u> | <u>9.456.133</u> |

Long Term Provisions

Provision for employment termination benefits:

Under Turkish law, the Group is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or is insured after 8 September 1999 and retires after completing 25 years of service (20 years for women) and pays disability, old age and death insurance premiums for minimum 4.500 days or achieves the retirement age (58 for women and 60 for men). The previous laws are valid for the ones who are insured before 8 September 1999.

The retirement pay provision ceiling as of 30 June 2006 is TRY 1.770,62 (31 December 2005: TRY 1.727,15).

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

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

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23. PROVISIONS (cont'd)

Long Term Provisions (cont'd)

Consequently, in the accompanying financial statements as at 30 June 2006, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 6,175% and an interest rate of 12%.

The movement of retirement pay provision is as follows:

| | 1 January – 30 June 2006 | 1 January – 30 June 2005 |
|-----------------------|--------------------------------|--------------------------------|
| Opening balance | 26.150.305 | 23.986.752 |
| Charge for the period | 2.806.583 | 1.944.884 |
| Retirement pay paid | (2.169.269) | (132.310) |
| Closing balance | <u>26.787.619</u> | <u>25.799.326</u> |

24. MINORITY INTEREST

| | 30 June 2006 | 31 December 2005 |
|---|------------------|---------------------|
| Opening balance | 3.068.759 | - |
| Change in minority shares during the year | - | 3.007.500 |
| Minority share on operating results | (546.021) | 61.259 |
| Closing balance | <u>2.522.738</u> | <u>3.068.759</u> |

25. CAPITAL / ADJUSTMENT TO SHARE CAPITAL

Shareholder structure as of 30 June 2006 and 31 December 2005 as follows:

| <u>Shareholders</u> | (%) | 30 June <u>2006</u> | (%) | 31 December <u>2005</u> |
|--------------------------------|--------|------------------------|--------|----------------------------|
| T.Şişe ve Cam Fabrikaları A.Ş. | 60,83 | 178.369.488 | 60,83 | 138.451.870 |
| Cam Pazarlama A.Ş. | 5,85 | 17.153.732 | 5,85 | 13.308.652 |
| IFC | 0,07 | 205.258 | 0,07 | 150.000 |
| Other | 33,25 | 97.497.706 | 33,25 | 75.689.478 |
| Nominal capital | 100,00 | 293.226.184 | 100,00 | 227.600.000 |
| Inflation adjustment | | <u>130.496.942</u> | | <u>130.496.942</u> |
| 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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26, 27, 28. RESERVES AND RETAINED EARNINGS/LOSSES

CAPITAL RESERVES

| | 30 June 2006 | 31 December 2005 |
|--------------------------------------|--------------------|---------------------|
| Revaluation fund on financial assets | 1.130.262 | 41.459.170 |
| Inflation adjustment of equity items | <u>130.496.942</u> | <u>130.496.942</u> |
| | <u>131.627.204</u> | <u>171.956.112</u> |

PROFIT RESERVES

| | 30 June 2006 | 31 December 2005 |
|------------------------|--------------------|---------------------|
| Legal reserves | 128.348.514 | 118.537.922 |
| Extraordinary reserves | 71.957.363 | 57.322.825 |
| Other capital reserves | <u>16.975.541</u> | <u>314.567</u> |
| | <u>217.281.418</u> | <u>176.175.314</u> |

RETAINED EARNINGS / ACCUMULATED LOSSES

As of 30 June 2006, retained earnings in the balance sheet is TRY 201.479.662.

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29. FOREIGN CURRENCY POSITION

| | <u>USD</u> | <u>EURO</u> | <u>BGN</u> | TRY Equivalent of Other Foreign Currencies | TRY Equivalent |
|-------------------------------|---------------------|---------------------|----------------|---|----------------------|
| <u>30 June 2006</u> | | | | | |
| Cash and cash equivalents | 258.788 | 24.895.756 | 383.374 | 149.327 | 50.986.054 |
| Trade receivables | 2.086.746 | 228.182 | 127.965 | - | 3.934.853 |
| Due from related parties | - | 14.374.556 | - | 974.477 | 29.860.147 |
| Bank loans | (13.910.431) | (121.632.958) | - | - | (266.718.457) |
| Due to related parties | (110.273) | (541.500) | - | (7.130) | (1.272.031) |
| Trade payables | (23.884) | (235.214) | - | (3.755) | (514.701) |
| Net foreign currency position | <u>(11.699.054)</u> | <u>(82.911.178)</u> | <u>511.339</u> | <u>1.112.919</u> | <u>(183.724.135)</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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30. GOVERNMENT GRANTS AND INCENTIVES

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

31. COMMITMENTS AND CONTINGENCIES

| | 30 June 2006 | 31 December 2005 |
|-----------------------------|-------------------|---------------------|
| Bails given (*) | 66.727.256 | 64.325.318 |
| Letters of guarantees given | 791.785 | 676.022 |
| Other | 470.368 | - |
| | <u>67.989.409</u> | <u>65.001.340</u> |

As of 30 June 2006, the total risk of court cases filed and currently pending against the Group amounts to approximately TRY 231.482 (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.

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

As of 30 June 2006, 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 production line for mirrors in flat glass plant.

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.

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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

As a result of unusually heavy rain occurred on 2 July 2006 in Lüleburgaz, Büyükkarıştıran Region, where Trakya Factory of the Company is located, TR1 flat glass furnace was damaged due to flood and the production was stopped temporarily. The work to resume the production of furnace is going on. The factory is insured in terms of both machinery, equipment and buildings and for loss of profit due to discontinued production of the furnace. Necessary applications to the insurance company have been made. The monetary amount of the damage is not certain as of the date of this report.

The Company's subsidiary Cam Pazarlama A.Ş. has borrowed US Dollars 140 Million (US Dollars 97,5 Million with a maturity of 1 year, US Dollars 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 by signing the loan agreement on 10 August 2006. 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.

The retirement pay ceiling which is TRY 1.770,62 as of 30 June 2006, has been increased to TRY 1.815,28 starting from 1 July 2006.

35. DISCONTINUED OPERATIONS

None.

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36. OPERATING INCOME

| | 1 January – 30 June 2006 | 1 April – 30 June 2006 | 1 January – 30 June 2005 | 1 April – 30 June 2005 |
|------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| NET SALES | | | | |
| Domestic sales | 262.391.023 | 153.942.280 | 246.687.506 | 132.756.538 |
| Export sales (*) | 94.150.215 | 52.987.595 | 72.702.661 | 41.209.283 |
| Sales discounts | (15.042.331) | (8.537.085) | (19.186.582) | (10.213.273) |
| Other discounts | (19.406.455) | (11.268.900) | (14.504.081) | (8.402.826) |
| Sales returns | (1.020.213) | (544.561) | (904.978) | (472.964) |
| Other income | 1.597.599 | 1.436.820 | - | - |
| | <u>322.669.838</u> | <u>188.016.149</u> | <u>284.794.526</u> | <u>154.876.758</u> |

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

| | 1 January – 30 June 2006 | 1 April – 30 June 2006 | 1 January – 30 June 2005 | 1 April – 30 June 2005 |
|--|-----------------------------|---------------------------|-----------------------------|---------------------------|
| COST OF SALES | | | | |
| Raw materials consumed | (136.720.874) | (72.143.955) | (119.138.700) | (63.140.204) |
| Depreciation expense | (25.076.013) | (12.568.057) | (20.250.955) | (10.393.803) |
| Production overheads | (22.201.235) | (14.109.831) | (16.097.674) | (7.483.179) |
| Direct labor cost | (21.041.331) | (10.784.630) | (17.142.653) | (8.636.651) |
| Change in work in progress inventories | 5.481.241 | 6.342.242 | 857.986 | (2.853.529) |
| Change in finished goods inventories | 4.150.273 | (5.674.597) | 19.319.854 | 5.400.545 |
| Cost of goods sold | <u>(195.407.939)</u> | <u>(108.938.828)</u> | <u>(152.452.142)</u> | <u>(87.106.821)</u> |
| Cost of merchandises sold | (8.052.232) | (5.453.652) | (14.011.020) | (11.861.137) |
| | <u>(203.460.171)</u> | <u>(114.392.480)</u> | <u>(166.463.162)</u> | <u>(98.967.958)</u> |

37. OPERATING EXPENSES

| | 1 January – 30 June 2006 | 1 April – 30 June 2006 | 1 January – 30 June 2005 | 1 April – 30 June 2005 |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|
| General administrative expenses | (29.061.203) | (12.313.641) | (28.963.807) | (12.543.273) |
| Marketing , selling and distribution expenses | (20.674.479) | (12.146.971) | (16.616.136) | (8.748.862) |
| Research and development expenses | (2.730.151) | (1.440.522) | (71.533) | (59.303) |
| | <u>(52.465.833)</u> | <u>(25.901.134)</u> | <u>(45.651.476)</u> | <u>(21.351.438)</u> |

Note: In the period of 01.01-30.06.2006, TRY 43.677 of research and development expenses, TRY 2.662.265 of marketing, selling and distribution expenses, TRY 3.007.200 of general administrative expenses are composed of depreciation expenses. TRY 124.333 of research and development expenses, TRY 7.352.729 of marketing, selling and distribution expenses and TRY 11.423.305 of general administrative expenses are composed of personnel expenses.

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38. OTHER INCOME/EXPENSE AND PROFIT/LOSSES

| | 1 January – 30 June 2006 | 1 April – 30 June 2006 | 1 January – 30 June 2005 | 1 April – 30 June 2005 |
|--------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| Income from subsidiaries | 1.396.406 | (853.240) | 1.794.437 | - |
| Equity method effect (*) | (75.615) | 1.257.887 | 1.400.363 | 294.849 |
| Interest income | 3.664.962 | 2.489.731 | 2.754.538 | 1.148.205 |
| Commission income | 397.616 | 355.251 | 53.840 | 30.307 |
| Reversal of unnecessary provision | 140.919 | 756.053 | 1.068.053 | - |
| Foreign exchange gain | 36.990.409 | 28.484.902 | 16.028.078 | 7.381.318 |
| Discount income | 432.742 | (153.124) | (652.575) | (1.674.839) |
| Other income and profits | 4.209.498 | 2.098.116 | 3.499.338 | 1.921.232 |
| | <u>47.156.937</u> | <u>34.435.576</u> | <u>25.946.072</u> | <u>9.101.072</u> |

| | 1 January – 30 June 2006 | 1 April – 30 June 2006 | 1 January – 30 June 2005 | 1 April – 30 June 2005 |
|--------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| Idle capacity expense | (711.275) | (416.832) | (4.150.064) | (1.899.230) |
| Commission expense | (1.460.903) | (1.459.303) | (76.599) | (68.307) |
| Provision expense | (187.410) | (187.410) | - | - |
| Foreign exchange loss | (5.675.353) | (3.737.890) | (17.809.310) | (10.744.047) |
| Discount expense | (983.581) | (938.732) | (182.660) | 189.008 |
| Previous period loss and expenses | (3.295) | (3.295) | (22.876) | - |
| Other expenses and losses | (2.800.723) | (1.538.048) | (2.117.879) | (612.580) |
| | <u>(11.822.540)</u> | <u>(8.281.510)</u> | <u>(24.359.388)</u> | <u>(13.135.156)</u> |

(*) Effect of equity method consolidation

| | 1 January – 30 June 2006 | 1 April – 30 June 2006 | 1 January – 30 June 2005 | 1 April – 30 June 2005 |
|----------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| Camiş Elektrik | 44.125 | 1.066.243 | 631.219 | 132.904 |
| Çayırova Cam | (119.740) | 191.644 | 769.144 | 161.945 |
| | <u>(75.615)</u> | <u>1.257.887</u> | <u>1.400.363</u> | <u>294.849</u> |

39. FINANCE EXPENSES (NET)

| | 1 January – 30 June 2006 | 1 April – 30 June 2006 | 1 January – 30 June 2005 | 1 April – 30 June 2005 |
|-----------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| Borrowing Costs | (48.379.483) | (38.509.096) | (9.532.016) | (3.151.646) |
| | <u>(48.379.483)</u> | <u>(38.509.096)</u> | <u>(9.532.016)</u> | <u>(3.151.646)</u> |

40. NET MONETARY GAIN / LOSS

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

TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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41. TAXES

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

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

The effective corporate tax rates are 30% for 2005 and 20% for 2006.

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 temporary tax paid of corporate income that was calculated at the rate of 30% during the taxation of the corporate income in temporary taxation periods after January 2006 over 20% will be deducted from future temporary tax returns.

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

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. The companies with special accounting periods, file their tax returns between 1st and 25th days of fourth month after 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 is 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 taxes.

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 within the scope of the investment incentive certificate and that are directly related to production facilities of the company.

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 subsequent profitable years. However, the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to the following years.

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41. TAXES (cont'd)

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 cancelled.

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, no further inflation adjustment made to the statutory financial statements of the Group.

Tax provisions as of 30 June 2006 and 30 June 2005 are as follows:

| | 30 June 2006 | 31 December 2005 |
|-------------------------|------------------|---------------------|
| Corporate tax provision | 11.929.653 | 33.584.344 |
| Prepaid taxes and funds | (6.272.564) | (24.128.211) |
| | <u>5.657.089</u> | <u>9.456.133</u> |

| <u>Provision for taxes:</u> | 1 January – 30 June 2006 | 1 April– 30 June 2006 | 1 January – 30 June 2005 | 1 April– 30 June 2005 |
|--------------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| Current year corporate tax provision | (11.929.653) | (5.655.653) | (17.882.856) | (10.115.871) |
| Deferred tax benefit / (charge) | 36.364.872 | 34.967.445 | (397.275) | 785.291 |
| Taxation per income statement | <u>24.435.219</u> | <u>29.311.792</u> | <u>(18.280.131)</u> | <u>(9.330.580)</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

41. TAXES (cont'd)

| <u>Reconciliation of taxation:</u> | <u>1 January – 30 June 2006</u> | <u>1 January – 30 June 2005</u> |
|---|-------------------------------------|-------------------------------------|
| Profit before taxation and minority interest | 53.698.748 | 64.734.556 |
| Effective tax rate | 20% | 30% |
| Taxation calculated | 10.739.750 | 19.420.367 |
| Tax effects of: | | |
| -non deductible expenses | 13.384.967 | 1.079.834 |
| -dividends and other non taxable income | (14.054.254) | (1.009.691) |
| -investment incentives | (653.797) | (1.610.040) |
| -Effect of the change in effective tax rate (*) | (37.809.756) | - |
| -Income / expenses not taxable/deductible | 3.443.313 | 568.116 |
| -consolidation adjustments | 794.879 | (168.455) |
| -effect of associates abroad subject to different tax rates | (280.321) | - |
| Taxation per income statement | <u>(24.435.219)</u> | <u>18.280.131</u> |

* The corporate tax rate has been decreased from 30% to 20% commencing from 1 January 2006 in accordance with the Corporate Tax Law No: 5520 published on 21 June 2006. The decrease in deferred tax liabilities as a result of the 10% reduction in corporate tax rate had a positive effect on the period profit by TRY 37.809.756 (The corporate tax rate taken into consideration for the January - March 2006 period was 30%).

42. EARNINGS PER SHARE

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

Weighted average number of shares and earnings per share(per 1 TRY share) for the period ended 30 June 2006 are as follows:

| | <u>1 January– 30 June 2006</u> | <u>1 January -30 June 2005</u> |
|---|------------------------------------|------------------------------------|
| 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 30 June | <u>29.322.618.400</u> | <u>22.760.000.000</u> |
| Weighted average number of outstanding shares (1TRY /share) | 29.322.618.400 | 29.322.618.400 |
| Net period profit | 78.679.988 | 46.454.425 |
| Earnings per share (per 1 TRY share) | <u>0,268</u> | <u>0,158</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2006.

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

43. CASH FLOW STATEMENT

Cash flow statement is presented with financial statements.

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

The Company's audited interim financial statements as of 30 June 2006 prepared in accordance with the International Financial Reporting Standards (IFRS) ascribed in CMB Communiqué No: XI/25 has been reviewed by the Board of Directors, by taking the decision of the Audit Committee into account. At its meeting on 5 September 2006, the Board of Directors approved for the purpose of public announcement that the consolidated financial statements referred to above present fairly the financial position of the Company and the accounting policies applied by the Company are in line with the International Financial Reporting Standards (IFRS) ascribed in CMB Communiqué No: XI/25.