

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

CONSOLIDATED FINANCIAL  
STATEMENTS AS OF  
31 DECEMBER 2007

*TRANSLATED INTO ENGLISH FROM  
THE ORIGINAL TURKISH REPORT*

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying consolidated financial statements of Trakya Cam Sanayii A.Ş. and its subsidiaries (together the "Group") comprising the consolidated balance sheet as of 31 December 2007, and the consolidated income statement, consolidated statement of changes in shareholders' equity and consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

We did not audit the financial statements of the joint ventures, Trakya Glass Bulgaria EAD and Trakya Glass Logistics EAD located in Bulgaria, which reflect total assets constituting 11% of the consolidated total assets as of 31 December 2007, and total revenues constituting 14% of consolidated total revenues for the year then ended. Those statements were audited by another auditor whose reports have been furnished to us, and our audit, insofar as it relates to the amounts included for Trakya Glass Bulgaria EAD and Trakya Glass Logistics EAD are based solely on the reports of the other auditor.

## **Opinion**

In our opinion and other auditor's opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Trakya Cam Sanayii A.Ş. and its subsidiaries as of 31 December 2007 and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting standards published by the Capital Markets Board.

Without qualifying our opinion, we would like to draw your attention to the following matter:

As explained in detail in note 32, based on the decision taken in the extraordinary meeting of the General Assembly on 2 August 2007, Trakya Cam Sanayii A.Ş. has merged with Camiř Lojistik Hizmetleri ve Ticaret A.Ş. through transfer of assets and liabilities in accordance with Article 451 of the Turkish Commercial Code, Articles 18, 19 and 20 of the Corporate Tax Law and the Capital Markets Board Communiqué No: I/31. This transaction was assessed as a business combination involving entities under common control and prior year financial statements have been restated accordingly.

İstanbul, 3 April 2008

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU**

Gökhan Alpman  
Partner

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**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS AS OF  
31 DECEMBER 2007 AND 31 DECEMBER 2006**

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

<b>BALANCE SHEET</b>		<b>31 December</b>	<b>Restated</b>
<b>ASSETS</b>	<b>Notes</b>	<b>2007</b>	<b>31 December</b>
			<b>2006</b>
<b>Current Assets</b>		<b>439.980.188</b>	<b>413.477.991</b>
Cash and Cash Equivalents	4	84.456.213	126.578.159
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	168.947.032	114.408.581
Finance Lease Receivables (net)	8	-	-
Due From Related Parties (net)	9	31.291.316	47.448.375
Other Receivables (net)	10	24.425.225	12.347.435
Biological Assets (net)	11	-	-
Inventories (net)	12	129.476.970	110.786.026
Receivables From Ongoing Construction Contracts (net)	13	-	-
Deferred Tax Assets (net)	14	-	-
Other Current Assets	15	1.383.432	1.909.415
<b>Non-Current Assets</b>		<b>1.216.061.297</b>	<b>1.121.370.928</b>
Trade Receivables (net)	7	157.832	85.457
Finance Lease Receivables (net)	8	-	-
Due From Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	166.136.906	131.114.175
Goodwill / Negative Goodwill (net)	17	-	-
Investment Properties (net)	18	-	-
Property, Plant and Equipment (net)	19	1.026.117.794	969.186.221
Intangible Assets (net)	20	1.618.444	1.717.768
Deferred Tax Assets	14	21.523.092	19.267.307
Other Non-Current Assets	15	507.229	-
<b>TOTAL ASSETS</b>		<b>1.656.041.485</b>	<b>1.534.848.919</b>

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

**CONSOLIDATED BALANCE SHEETS AS OF  
31 DECEMBER 2007 AND 31 DECEMBER 2006**

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

<b>LIABILITIES</b>	<b>Notes</b>	<b>31 December 2007</b>	<b>Restated 31 December 2006</b>
<b>Current Liabilities</b>		<b>189.489.327</b>	<b>240.195.478</b>
Short Term Borrowings (net)	6	60.793.779	114.334.539
Current Portion of			
Long Term Borrowings (net)	6	50.815.495	37.580.367
Finance Lease Obligations (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	40.383.045	32.733.853
Due To Related Parties (net)	9	11.095.392	30.835.499
Advances Received	21	1.943.305	3.960.241
Construction Contracts Progress Billings (net)	13	-	-
Provisions	23	9.416.685	7.732.612
Deferred Tax Liabilities (net)	14	-	-
Other Current Liabilities (net)	15	15.041.626	13.018.367
<b>Non-Current Liabilities</b>		<b>328.989.213</b>	<b>291.355.431</b>
Long Term Borrowings (net)	6	231.800.569	198.919.899
Finance Lease Obligations (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	-	-
Due To Related Parties (net)	9	-	-
Advances Received	21	-	-
Provisions	23	27.702.115	27.483.008
Deferred Tax Liabilities (net)	14	69.057.620	64.463.692
Other Liabilities (net)	15	428.909	488.832
<b>MINORITY INTEREST</b>	24	<b>26.188.379</b>	<b>12.492.726</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>1.111.374.566</b>	<b>990.805.284</b>
<b>Share Capital</b>	25	478.181.933	296.026.184
<b>Adjustment to Share Capital</b>	25	-	-
<b>Capital Reserves</b>	26	<b>103.309.820</b>	<b>248.201.987</b>
Premium In Excess Of Par		22.703	22.703
Investment Revaluation Reserves		37.210.351	1.287.518
Inflation Adjustment to Shareholders' Equity Items		66.076.766	246.891.766
<b>Profit Reserves</b>	27	<b>131.713.934</b>	<b>89.668.874</b>
Legal Reserves		57.935.557	47.065.417
Extraordinary Reserves		73.778.377	42.603.457
Gain On Sale of Assets and Equity Participations'		-	-
Shares To Be Added to Share Capital		-	-
Currency Translation Reserve		(672.209)	8.397.666
<b>Net Profit / (Loss) for the Period</b>		<b>173.512.788</b>	<b>146.078.662</b>
<b>Retained Earnings/(Accumulated Losses)</b>	28	<b>225.328.300</b>	<b>202.431.911</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1.656.041.485</b>	<b>1.534.848.919</b>

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 31 DECEMBER 2006**

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

	<b>Notes</b>	<b>1 January- 31 December 2007</b>	<b>Restated 1 January- 31 December 2006</b>
<b>OPERATING INCOME</b>			
Sales Revenue (net)	36	895.946.339	718.556.403
Cost of Sales (-)	36	(568.015.311)	(457.790.913)
Other Operating Income / interest + dividend + rent (net)	36	-	-
		<b>327.931.028</b>	<b>260.765.490</b>
<b>GROSS PROFIT / LOSS</b>			
Operating Expenses (-)	37	(145.780.992)	(116.037.725)
		<b>182.150.036</b>	<b>144.727.765</b>
<b>NET OPERATING PROFIT / LOSS</b>			
Other Income and Profits	38	50.318.710	15.075.293
Other Expenses and Losses (-)	38	(9.510.750)	(27.522.236)
Finance Expenses (-)	39	(7.585.687)	(11.677.989)
		<b>215.372.309</b>	<b>120.602.833</b>
<b>OPERATING PROFIT / LOSS</b>			
Monetary Gain / ( Loss)	40	-	-
Minority Interest	24	(1.664.403)	(401.467)
		<b>213.707.906</b>	<b>120.201.366</b>
<b>PROFIT / LOSS BEFORE TAX</b>			
Taxation	41	(40.195.118)	25.877.296
		<b>173.512.788</b>	<b>146.078.662</b>
<b>NET PROFIT / LOSS FOR THE PERIOD</b>			
<b>EARNINGS PER SHARE</b>			
	42	0,36	0,31

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

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007 AND 31 DECEMBER 2006

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

	Capital	Premium In Excess Of Par	Investment Revaluation Reserves	Inflation Adjustment to Shareholders' Equity Items	Legal Reserves	Extraordinary Reserves	Gain On Sale of Assets and Equity Participations' Shares To Be Added to Share Capital	Currency Translation Reserve	Retained Earnings/ (Accumulated Losses)	Net Profit / (Loss) for the Period	Total
<b>Balance at 1 January 2006</b>	<b>227.600.000</b>	-	<b>41.459.170</b>	<b>241.295.664</b>	<b>37.093.106</b>	<b>27.968.919</b>	-	<b>314.567</b>	<b>207.865.865</b>	<b>82.924.927</b>	<b>866.522.218</b>
Effect of business combination under common control (Note 32)	2.800.000	22.703	-	5.596.102	52.307	-	-	-	473.332	1.148.329	10.092.773
<b>Balance at 1 January 2006, as restated</b>	<b>230.400.000</b>	<b>22.703</b>	<b>41.459.170</b>	<b>246.891.766</b>	<b>37.145.413</b>	<b>27.968.919</b>	-	<b>314.567</b>	<b>208.339.197</b>	<b>84.073.256</b>	<b>876.614.991</b>
Transfers to reserves	-	-	-	-	9.920.004	14.634.538	-	-	(5.907.286)	(18.647.256)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(65.426.000)	(65.426.000)
Increase in value of financial assets within the period prior to sales	-	-	25.454.532	-	-	-	-	-	-	-	25.454.532
Sales of financial assets	-	-	(65.626.184)	-	-	-	65.626.184	-	-	-	-
Capital increase	65.626.184	-	-	-	-	-	(65.626.184)	-	-	-	-
Foreign currency translation effect	-	-	-	-	-	-	-	8.083.099	-	-	8.083.099
Net profit for the period	-	-	-	-	-	-	-	-	-	146.078.662	146.078.662
<b>Balance at 31 December 2006</b>	<b>296.026.184</b>	<b>22.703</b>	<b>1.287.518</b>	<b>246.891.766</b>	<b>47.065.417</b>	<b>42.603.457</b>	-	<b>8.397.666</b>	<b>202.431.911</b>	<b>146.078.662</b>	<b>990.805.284</b>
<b>Balance at 1 January 2007</b>	<b>296.026.184</b>	<b>22.703</b>	<b>1.287.518</b>	<b>246.891.766</b>	<b>47.065.417</b>	<b>42.603.457</b>	-	<b>8.397.666</b>	<b>202.431.911</b>	<b>146.078.662</b>	<b>990.805.284</b>
Effect of business combination under common control (Note 32)	1.340.749	-	-	-	-	-	-	-	(1.340.749)	-	-
Transfers to reserves	-	-	-	-	10.870.140	31.174.920	-	-	36.031.580	(78.076.640)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(68.002.022)	(68.002.022)
Change in fair value of available for sale assets	-	-	(7.708.203)	-	-	-	-	-	-	-	(7.708.203)
Effect of reorganization of the Group (Note 2.4)	-	-	-	-	-	-	-	-	(11.794.442)	-	(11.794.442)
Effect of business combination (Note 16)	-	-	43.631.036	-	-	-	-	-	-	-	43.631.036
Capital increase	180.815.000	-	-	(180.815.000)	-	-	-	-	-	-	-
Foreign currency translation effect	-	-	-	-	-	-	-	(9.069.875)	-	-	(9.069.875)
Net profit for the period	-	-	-	-	-	-	-	-	-	173.512.788	173.512.788
<b>Balance at 31 December 2007</b>	<b>478.181.933</b>	<b>22.703</b>	<b>37.210.351</b>	<b>66.076.766</b>	<b>57.935.557</b>	<b>73.778.377</b>	-	<b>(672.209)</b>	<b>225.328.300</b>	<b>173.512.788</b>	<b>1.111.374.566</b>

# TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 31 DECEMBER 2006

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

		<b>1 January- 31 December 2007</b>	<b>Restated 1 January- 31 December 2006</b>
<b>Cash flows from operating activities</b>	<b>Note</b>		
Net profit for the period		173.512.788	146.078.662
Depreciation and amortization	19	90.559.448	70.100.440
Impairment of tangible assets	19	-	6.916.937
Equity pick-up (income) / loss recognized		(8.707.511)	8.172.851
Reversal of allowance for diminution in value of financial assets		(719.084)	-
Allowance for diminution in value of financial assets		-	2.661.371
Gains / (losses) on fixed asset sales		(65.479)	694.969
Accrued exchange losses and interest (net)		(9.000.000)	(8.299.948)
Provision for employment termination benefits	23	3.372.551	4.589.540
Allowances for doubtful receivables	7	63.993	147.742
Changes in other provisions		1.728.022	23.644
Minority interest		1.664.403	401.467
Interest expense		31.805.410	61.103.035
Accrued taxation		40.195.117	(25.877.296)
Operating cash flows provided before changes in working capital		<u>324.409.658</u>	<u>266.713.414</u>
Movements in working capital			
Due from related parties		16.157.059	34.022.160
Inventories		(18.690.944)	(27.518.490)
Trade receivables		(54.602.444)	(31.544.574)
Other receivables and other assets		(11.551.807)	(9.790.645)
Due to related parties		(19.740.107)	(23.358.709)
Trade payables		7.649.192	12.759.154
Advances received		(2.016.936)	3.422.098
Other liabilities		295.238	4.969.346
Cash used in operations		<u>(82.500.749)</u>	<u>(37.039.660)</u>
Interest paid		(31.301.473)	(58.281.296)
Taxes paid		(37.395.358)	(29.371.293)
Retirement benefits paid	23	(3.153.444)	(3.980.042)
<b>Net cash provided by operating activities</b>		<b><u>170.058.634</u></b>	<b><u>138.041.123</u></b>
<b>Cash flows from investing activities</b>			
Interest received		8.496.063	8.299.948
Changes in financial assets		(98.872)	20.441.200
Purchases of tangible assets	19	(177.572.308)	(257.453.343)
Purchases of intangible assets	20	(193.997)	(614.766)
Proceeds from sales of tangible assets	19	13.445.747	7.899.020
Change in translation reserve		7.778.048	227.526
Changes in other investing activities		(639.527)	(943.954)
<b>Net cash used in investing activities</b>		<b><u>(148.784.846)</u></b>	<b><u>(222.144.369)</u></b>
<b>Cash flows from financing activities</b>			
New borrowings		194.782.645	290.715.650
Repayment of borrowings		(202.207.607)	(153.468.346)
Dividends paid		(68.002.022)	(65.426.000)
Capital increase		-	65.626.184
Change in minority interests (net)		12.031.250	9.022.500
<b>Net cash (used in) / provided by financing activities</b>		<b><u>(63.395.734)</u></b>	<b><u>146.469.988</u></b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(42.121.946)</b>	<b>62.366.742</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>126.578.159</b>	<b>64.211.417</b>
<b>Cash and cash equivalents at the end of the year</b>		<b><u>84.456.213</u></b>	<b><u>126.578.159</u></b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

#### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Trakya Cam Sanayii Group (“the Group”) is consists of a holding company, Trakya Cam Sanayii A.Ş. (“Company”) and 2 subsidiaries, 2 investment in associates ve 3 joint ventures.

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. (“Şişecam Holding”) which is under the control of Türkiye İş Bankası A.Ş. Currently, the Company is a producer of basic flat glass, automotive glass, mirror, laminated glass, coated and processed glass in its production facilities at Kırklareli (Lüleburgaz), Kocaeli (Çayırova), Mersin (Tarsus), Bulgaria (Targovishte) and Bursa (Yenişehir). Headquarter of the Company is located at İş Kuleleri Kule 3, 4.Levent/ İstanbul.

#### Consolidated Subsidiaries:

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

#### Subsidiary:

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

<u>Company Name</u>	31 December 2007		31 December 2006	
	Ratio of direct ownership	Ratio of effective ownership	Ratio of direct ownership	Ratio of effective ownership
	%	%	%	%
Trakya Yenişehir Cam San.A.Ş.	85	85	85	85
Trakya Polatlı Cam San.A.Ş.	85	85	-	-

#### Joint Ventures:

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

<u>Company Name</u>	31 December 2007		31 December 2006	
	Ratio of direct ownership	Ratio of effective ownership	Ratio of direct ownership	Ratio of effective ownership
	%	%	%	%
Trakya Cam Investment BV	70	70	70	70
Trakya Glass Bulgaria EAD	-	70	-	70
Trakya Glass Logistics EAD	-	70	-	70

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

##### Associates:

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

<u>Company Name</u>	<u>31 December 2007</u>		<u>31 December 2006</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	34	34	40

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

##### Shareholder structure of the Company:

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

	<u>31 December 2007</u>		<u>31 December 2006</u>	
	Share	Share Amount	Share	Share Amount
<u>Shareholders</u>	<u>%</u>	<u>TRY</u>	<u>%</u>	<u>TRY</u>
T.Şişe ve Cam Fabrikaları A.Ş.	66,38	317.405.298	59,98	177.556.505
Publicly held	32,83	156.962.433	31,31	92.685.798
Şişecam group companies	0,73	3.503.444	8,65	25.606.265
IFC	0,06	310.758	0,06	177.616
Total	100,00	478.181.933	100,00	296.026.184

##### Number of employees by category:

	<u>31 December 2007</u>	<u>31 December 2006</u>
Personnel with monthly salary	872	845
Personnel with hourly wage	2.022	1.924
Total	2.894	2.769

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

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

## **2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **2.1 Accounting standards applied**

The Company and its subsidiaries, which are registered in Turkey, maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries.

The Capital Markets Board (“the CMB”) published a set of comprehensive accounting policies set out in Communiqué No: XI/25 on “The 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 supplementary to the Communiqué No: XI/25 and Communiqué No: XI/27 on the “Amendments upon the Capital Markets Accounting Standards” (the “Communiqué No: XI/27”) published on 23 December 2004, the application of International Financial Reporting Standards (“IFRS”) by companies should be in compliance with the presentation and disclosure requirements set out in the Communiqué No: XI/25. Therefore, as an alternative, the compliance with the accounting standards issued by International Accounting Standards Board (“IASB”) and International Accounting Standards Committee (“IASC”) will be counted as in compliance with the CMB’s Accounting Standards.

The Group prepared its financial statements according to this alternative application permitted by the CMB mentioned above. The financial statements and footnotes are prepared in accordance with the required format set out by the CMB’s announcement on 20 December 2004.

### **2.2 Preparation of financial statements in hyperinflationary periods**

In accordance with the resolution numbered 11/367 dated 17 March 2005, the CMB stated that companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards (including the application of IFRS) effective from 1 January 2005 are not subject to inflation accounting. Based on that statement, IAS 29 “Financial Reporting in Hyperinflationary Economies” is no longer valid as of 1 January 2005 in the accompanying financial statements.

The exchange rate announced by the Turkish Central Bank as of 31 December 2007 is US Dollar 1 = TRY 1,1647, Euro 1 = TRY 1,7102 (31 December 2006: US Dollar 1 = TRY 1,4056, Euro 1 = TRY 1,8515).

### **2.3 Principles of consolidation**

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

Entities in which the Group, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated. The group has obtained a share from the operations of the equity subsidiaries since it has power to govern the financial and operational policies of the company. All significant transactions and balances between the Group and its consolidated subsidiaries are eliminated on consolidation. In cases where the consolidated entities are not 100% owned, the shareholder’s equity and net income which belong to third party shareholders are separately disclosed as minority interest.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

### 2.3 Principles of consolidation (cont'd)

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

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee and they are accounted by using the equity method. Under the equity method, the net assets of the investee company are carried in the consolidated balance sheet and the share of the Group derived from the investee company's results of operations is recognized in the statement of income. The carrying amount of such investments is reduced to recognize any decline, other than a temporary decline, in the value of individual investments.

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

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

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

### 2.4 Reorganization of the Group

As per share split contract between Çayırova Cam Sanayii A.Ş. ("Çayırova Cam"), a subsidiary of the Company, Camış Madencilik A.Ş. ("Camış Madencilik"), available for sale financial asset of the Company and Cam Pazarlama A.Ş., at March 2007 Çayırova Cam ve Camış Madencilik decreased their capital. Çayırova Cam decreased its capital of TRY 67.296.000 by 86% and Camış Madencilik decreased its capital of TRY 33.115.487 by 39%. As a result of these capital decreases, shareholders of Çayırova Cam and Camış Madencilik were given 0,429 unit share of Cam Pazarlama A.Ş. in return of 1 unit nominal share. An asset-liability difference of TRY 11.794.442 resulting from this transaction was accounted for through equity since it was resulted from reorganization between group companies and decided by the main shareholder.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

### 2.5 Comparative information and restatement of prior period financial statements

The Group's consolidated financial statements are prepared comparatively with the prior period in order to give information about financial position and performance.

Consolidated financial statements and related explanatory notes for the period ended 31 December 2006 have been restated, for comparative presentation, regarding business combination of Trakya Cam Sanayii A.Ş. and Camiř Lojistik Hizmetleri ve Ticaret A.Ş. occurred in 2007 and as explained in detail in note 32, in accordance with accounting policy applied in preparation of consolidated financial statements for the period ended 31 December 2007 as explained in note 3.

### 2.6 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 offset the recognized amounts and there is an intention to settling on a net basis, or realizing the asset while fulfilling the liability simultaneously.

### 2.7 New and revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations of the IFRS effective from 1 January 2007 issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") that are relevant to its operations. The adoption of these new and revised Standard and Interpretations has resulted in changes to the Group's accounting policies in the following areas:

- IFRS 7, "Financial instruments: Disclosures"
- IAS 1, "Presentation of Financial Statements"

#### *IFRS 7, "Financial instruments: Disclosures"*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of the risks arising from those financial instruments. The new disclosures are included throughout the financial statements. This Standard has no effect on the financial position of the Group, and comparative information has been revised where appropriate.

#### *IAS 1, "Presentation of Financial Statements"*

This amendment requires the Group to disclose new information that enables users of the financial statements to evaluate the Group's objectives, policies and processes applied for the Group's capital management.

#### *Standards, amendments and interpretations effective in 2007 but not relevant to the Group's operations*

The following standards, amendments and interpretations to issued standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRS 4, "Insurance Contracts",
- IFRIC 7, "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies",
- IFRIC 8, "Scope of IFRS 2",
- IFRIC 9, "Reassessment of Embedded Derivatives",
- IFRIC 10, "Interim Financial Reporting and Impairment".

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

##### 2.7 New and revised International Financial Reporting Standards (cont'd)

*Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted earlier by the Group*

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

- |  |   |
|--|---|
| • IFRIC 11, “IFRS 2 – Group and Treasury Share Transactions”   | Effective for annual periods beginning on or after 1 March 2007   |
| • IAS 23, “(Amendment) Borrowing Costs”  | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRS 8, “Operating Segments”   | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRIC 12, “Service Concession Arrangements”  | Effective for annual periods beginning on or after 1 January 2008 |
| • IFRIC 13, “Customer Loyalty Programs”  | Effective for annual periods beginning on or after 1 January 2008 |
| • IFRIC 14, “IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction”                                   | Effective for annual periods beginning on or after 1 January 2008 |
| • IFRS 2, “Share-Based Payment” Amendment Relating to Vesting Conditions and Cancellations   | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRS 3, “Business Combinations”  | Effective for annual periods beginning on or after 1 July 2009    |
| • IAS 27, “Consolidated and Separate Financial Statements”   |   |
| • IAS 28, “Investments in Associates”  |   |
| • IAS 31 “Interests in Joint Ventures” Comprehensive Revision on Applying the Acquisition Method   |   |
| • IAS 1, “Presentation of Financial Statements”  | Effective for annual periods beginning on or after 1 January 2009 |
| • IAS 32, “Financial Instruments: Presentation” Amendments Relating to Disclosure of Puttable Instruments and Obligations Arising on Liquidation |   |
| • IAS 1, “Presentation of Financial Statements”  | Effective for annual periods beginning on or after 1 January 2009 |

The Group Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### 3.1 Revenue recognition

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

###### *Sale of goods*

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

- The Group transfers all the significant risks and rewards of ownership of the goods to the buyer;
- The Group has no continuing managerial involvement associated with the ownership or significant control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

###### *Rendering of services:*

- Revenue earned from rendering services is recognized by using a reference to the stage of completion of the contract.

###### *Dividend and interest revenue*

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

Dividend revenue from investments is recognized when the shareholders' rights to receive payment have been established.

###### *Rental income*

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

##### 3.2 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.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

##### 3.3 Tangible assets

Tangible assets acquired before 1 January 2005 are carried at restated historical cost adjusted for the effects of inflation until 31 December 2004, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Tangible assets acquired in subsequent periods are carried at acquisition cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Assets in the course of construction for rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees. For assets that need considerable time to be ready for sale or usage, borrowing costs are capitalized in accordance with the Group's accounting policy. As it is for the other fixed assets, depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Gain or loss arising on the disposal or retirement of a tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

##### 3.4 Intangible assets

###### *Intangible assets acquired separately*

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis.

###### *Computer software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 - 10 years).

##### 3.5 Impairment of tangible and intangible assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

##### 3.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a considerable 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. Investment income earned by the temporary investment of the part of the borrowing not yet used is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

##### 3.7 Financial instruments

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the financial instrument.

###### Financial assets

Investments are recognized and derecognized on the trade date where the purchase or sale of an investment is under a contract whose terms require the delivery of the investment within a period of time prescribed by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets classified as 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

###### *Financial assets at fair value through profit or loss*

Financial assets are classified as financial assets at fair value through profit or loss where the Group acquires the financial asset principally for the purpose of selling them in the near future or the financial asset is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking as well as derivatives that are not designated and effective hedging instruments. Financial assets at fair value through profit or loss are carried at fair value, with any resulting gain or loss recognized in profit or loss incorporating any dividend or interest earned on the financial asset.

###### *Effective interest method*

The effective interest method is calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate discounts the estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income from financial assets that are classified as held to maturity, available for sale and loans and receivables is recognized on an effective interest basis.

###### *Held-to-maturity investments*

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

##### 3.7 Financial instruments (cont'd)

###### *Available for sale financial assets*

Investments other than held-to-maturity debt securities and FVTPL securities are classified as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power.

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. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Fair value of available for sale monetary assets denominated in foreign currency is determined in that foreign currency and converted using the spot rate at the reporting date. Change in fair value attributable to conversion differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

###### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

###### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

##### 3.7 Financial instruments (cont'd)

###### *Impairment of financial assets (cont'd)*

With the exception of AFS equity instruments, in a subsequent period, if the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

###### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

###### **Financial liabilities**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

###### *Financial liabilities at fair value through profit or loss*

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

###### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

The effective interest method is calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

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

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

##### **3.8 Business combinations and goodwill**

The acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" are recognized at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations", which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

In business combinations under common control, assets and liabilities subject to business combination are accounted for at carrying value in consolidated financial statements. Statements of income are consolidated starting from the beginning of the fiscal year in which the business combination is realized. Financial statements of previous fiscal years are reorganized in the same manner in order to maintain consistency and comparability. Any positive or negative goodwill arising from such business combination is not recognized in the consolidated financial statements. The residual balance calculated by netting off investment in subsidiary and the share acquired in subsidiary's capital is directly accounted under equity as "effect of business combinations under common control".

##### **3.9 Foreign currency transactions**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, 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.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

##### 3.9 Foreign currency transactions (cont'd)

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRY using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

##### 3.10 Earnings per share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighted factor. In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation (Note 42).

##### 3.11 Events after balance sheet date

Events after balance sheet date comprise any event between the balance sheet date and the date of authorization for the balance sheet's publication, even if any event after balance sheet date occurred subsequent to an announcement on the Group's profit or following any financial information disclosed to public.

The Group restates its financial statements if any adjusting subsequent event arises.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

##### 3.12 Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date considering the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### *Onerous contracts*

Present obligations arising under onerous contracts are measured and recognized as a provision.

An onerous contract is made where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

##### 3.13 Change in accounting policies, accounting estimates and errors

Accounting policies, principles, assumptions and rules practised in preparation of financial statements are applied and determined in accordance with International Financial Reporting Standards ("IFRS") as prescribed in the Capital Markets Board Accounting Standards and in the CMB's Communiqué No: XI/25.

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 miscalculations, incorrect application of accounting policies or misinterpretation of accounting standards. When the Group detects a potential error, the financial statements are restated retroactively. The Group shall disclose the nature of error, aggregate amount of adjustments applied to the prior periods and each comparative period in which represents the aggregate amount of these adjustments.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

##### 3.14 Lease transactions

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

##### 3.15 Related parties

For the purpose of the accompanying consolidated financial statements, shareholders of Trakya Cam Sanayii A.Ş. 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.

##### 3.16 Segmental information

Not applicable.

##### 3.17 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 are calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

###### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

###### *Deferred tax*

Deferred tax liability or asset is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

##### 3.17 Taxation and deferred income taxes (cont'd)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

##### *Current and deferred tax for the period*

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

##### 3.18 Employee benefits / retirement pay provision

Under the Turkish law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) "Employee Benefits" ("IAS 19"). In this extent, in addition to the salary, social rights such as; employee benefits including bonuses, fuel, leave of absence, national holidays, educational incentives, food, marriage, private pension plans, birth and death are provided to the Group employees.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

##### 3.19 Statement of cash flows

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 the investment and financial operations of the Group.

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

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**3.20 Discontinued operations**

None.

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

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

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

##### **3.21 Government incentives and grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

##### **3.22 Investment properties**

None.

##### **3.23 Share capital and dividends**

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

#### 4. CASH AND CASH EQUIVALENTS

	31 December 2007	31 December 2006
Cash on hand	45.752	46.799
Demand deposits	10.565.706	17.146.344
Time deposits	73.844.755	109.385.016
	<u>84.456.213</u>	<u>126.578.159</u>

<u>Currency Type</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	31 December 2007
TRY	15,50	January 2008	10.342.211
USD	4,65-4,85	January 2008	21.534.180
EUR	4,00	January 2008	41.968.364
			<u>73.844.755</u>

<u>Currency Type</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	31 December 2006
TRY	17,50 - 20,60	January 2007	12.112.836
USD	5,00-5,50	January 2007	18.072.996
EUR	3,50-3,75	January 2007	79.199.184
			<u>109.385.016</u>

#### 5. INVESTMENTS

None.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**6. BANK LOANS**

	31 December 2007	31 December 2006
Short term bank loans	60.793.779	114.334.539
Current portion of long term bank loans	50.815.495	37.580.367
Total short term borrowings	111.609.274	151.914.906
Long term portion of long term bank loans	231.800.569	198.919.899
Total borrowings	343.409.843	350.834.805

		31 December 2007	
Currency Type	Weighted average interest rate (%)	Current	Non-current
TRY	14,29	5.961.905	-
USD	6,59	10.274.724	1.877.920
EUR	5,63	95.372.645	229.922.649
		111.609.274	231.800.569

		31 December 2006	
Currency Type	Weighted average interest rate (%)	Current	Non-current
TRY	15,00	6.306.562	-
USD	6,65	16.012.506	4.518.959
EUR	5,01	129.595.838	194.400.940
		151.914.906	198.919.899

The borrowings are repayable as follows:

	31 December 2007	31 December 2006
To be paid within 1 year	111.609.274	151.914.906
To be paid between 1-2 years	30.547.538	59.363.920
To be paid between 2-3 years	51.425.639	42.652.881
To be paid between 3-4 years	48.509.449	39.482.496
To be paid after 4 years	101.317.943	57.420.602
	343.409.843	350.834.805

The main shareholder of the Group, Türkiye Şişe ve Cam Fabrikaları A.Ş. and its subsidiaries are collectively guarantors for the Group's bank loans.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

#### 7. TRADE RECEIVABLES AND PAYABLES

Details of trade receivables of the Group as of balance sheet date are as follows:

	31 December 2007	31 December 2006
<u>Current trade receivables</u>		
Trade receivables	169.128.174	114.533.042
Deposits given	43.722	36.410
Allowance for doubtful receivables	(224.864)	(160.871)
	<u>168.947.032</u>	<u>114.408.581</u>

Average sale term for flat glass and glassware products is 75 days. For overdue payments exceeding the first 15 days, 1,5% of interest is charged on a monthly basis whereas 3% of interest is charged for overdue payments exceeding more than the first 15 days.

Average sale term for auto glass products is 45 days and no interest is charged for overdue payments.

Export sales are either in advance or with 2 months maturity and no interest is charged for overdue payments.

The Group has recognized provision for its doubtful receivables. Allowance for doubtful receivables is determined by referring to past default experience. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted to the reporting date. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, the management believes that no further credit provision is required in excess of the allowance for doubtful debts.

The movement in the allowance for doubtful receivable is as follows:

	2007	2006
Opening balance	160.871	13.129
Charge for the period	63.993	147.742
Closing balance	<u>224.864</u>	<u>160.871</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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#### 7. TRADE RECEIVABLES AND PAYABLES (cont'd)

The Group retains the following collaterals for its trade receivables:

	31 December 2007	31 December 2006
Letters of guarantee	122.854.228	96.540.958
Cheques and notes obtained as collateral	1.627.948	2.582.129
Mortgages and pledges	1.589.059	1.427.863
	<u>126.071.235</u>	<u>100.550.950</u>

As of 31 December 2007, TRY 11.922.895 of trade receivable amount was past due but not impaired (31 December 2006: TRY 12.895.067). This relate to a various number of independent customers with no recent history of default. The ageing analysis of trade receivable amounts is as follows:

	31 December 2007	31 December 2006
Up to 3 months	8.359.558	9.498.309
3 to 6 months	1.158.197	1.351.766
Over 6 months	2.405.140	2.044.992
	<u>11.922.895</u>	<u>12.895.067</u>

Collaterals held for trade receivables that are either past due as at the balance sheet date but not impaired or impaired amount to TRY 8.459.062 (31 December 2006: TRY 6.849.323)

	31 December 2007	31 December 2006
<u>Non-current trade receivables</u>		
Deposits given	157.832	85.457
	<u>157.832</u>	<u>85.457</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

#### 7. TRADE RECEIVABLES AND PAYABLES (cont'd)

Details of trade payables of the Group as of balance sheet date are as follows:

	31 December 2007	31 December 2006
<u>Short term trade payables</u>		
Trade payables	40.264.343	32.538.873
Deposits received	118.702	194.980
	<u>40.383.045</u>	<u>32.733.853</u>

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

None.

#### 9. RELATED PARTY TRANSACTIONS

T.Şişe ve Cam Fabrikaları A.Ş. is the main shareholder of the Group and T. İş Bankası A.Ş. is the ultimate controlling party. All transactions and balances between the Group and its consolidated subsidiaries are eliminated on consolidation and not disclosed in this note. Transactions amongst the Group and other related parties are disclosed below.

	31 December 2007	31 December 2006
<u>Deposits held at T.İş Bankası A.Ş.</u>		
Demand deposits	7.839.929	15.769.128
Time deposits	73.844.755	109.385.016
	<u>81.684.684</u>	<u>125.154.144</u>
	31 December 2007	31 December 2006
<u>Loans received</u>		
T.İş Bankası A.Ş.	2.376.787	2.500.000
Through Şişecam Dış Ticaret	33.198.551	-
Through Cam Pazarlama	-	124.551.697
Through Şişecam Holding	55.606.970	77.371.187
Through Paşabahçe	504.007	-
	<u>91.686.315</u>	<u>204.422.884</u>

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**9. RELATED PARTY TRANSACTIONS (cont'd)**

	31 December 2007	31 December 2006
<b>Trade receivables from related parties</b>		
Şişecam Dış Ticaret	22.946.268	-
Cam Pazarlama (*)	-	33.576.908
Paşabahçe Cam	-	92.667
Soda Sanayi	-	43.122
Anadolu Cam	-	35.991
Camiş Ambalaj	-	31.862
Paşabahçe Eskişehir	-	31.721
Cam Elyaf	-	21.047
JSC Mina	-	6.055
Omco İstanbul Kalıp Sanayi	-	2.419
Ferro Döküm Sanayi	-	11.488
Camiş Maden	-	5.209
Denizli Cam	-	3.363
Trakya Glass Investment BV	-	24.190
Other	-	517
	<u>22.946.268</u>	<u>33.886.559</u>
<b>Other receivables from related parties</b>		
Şişecam Holding (*)	6.666.350	3.018.452
Çayırova Cam	384.203	-
Anadolu Cam	353.705	-
Camiş Elektrik	323.291	2.985.155
Paşabahçe Eskişehir	196.998	206.486
Trakya Glass Bulgaria EAD	161.943	125.547
Camiş Madencilik	-	163.592
Trakya Glass Investment BV	111.966	118.787
Camiş Ambalaj	88.976	1.071.399
Camiş Limited	-	52.355
Denizli Cam	19.699	91.847
Anadolu Cam Yenişehir	14.243	165.397
Paşabahçe Cam	2.227	1.100.430
Soda Sanayii	-	2.898.598
Cam Elyaf	-	672.502
JSC Mina	-	403.057
Ferro Döküm	-	211.084
Paşabahçe Mağazaları EOOD	-	192.579
Omco İstanbul Kalıp Sanayi	-	68.180
Other	21.447	16.369
	<u>8.345.048</u>	<u>13.561.816</u>
<b>Total receivables from related parties</b>	<u>31.291.316</u>	<u>47.448.375</u>

(\*) Cam Pazarlama A.Ş. merged with Şişecam Holding at 31 December 2007. Therefore, transactions with Cam Pazarlama A.Ş. during 2007 and receivable and payable balances with Cam Pazarlama A.Ş. are included in Şişecam Holding balances.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

#### 9. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2007	31 December 2006
<u>Trade payables to related parties</u>		
Camiş Elektrik	2.371.436	2.555.876
Soda Sanayii	1.658.357	634.646
Şişecam Holding (*)	518.218	1.245.274
Şişecam Bulgaria Ltd.	300.233	193.695
Şişecam Sigorta	91.710	166.755
Camiş Madencilik	-	506.491
Paşabahçe Mağazaları	13.551	155.675
Camiş Limited	-	4.112.183
Paşabahçe Cam	-	1.791.113
Other	22.161	111.038
	<u>4.975.666</u>	<u>11.472.746</u>
<u>Other payables to related parties</u>		
Cam Pazarlama (*)	-	13.469.065
Camiş Madencilik	2.934.095	1.629.404
Paşabahçe Cam	1.286.009	-
Şişecam Dış Ticaret	527.592	-
Soda Sanayii	572.464	-
Şişecam Sigorta	500.882	541.145
Dividend payables	279.248	253.644
Çayırova Cam	-	112.126
Anadolu Cam Yenişehir	16.089	424.712
Cam Elyaf	3.347	237.903
Anadolu Cam	-	2.516.018
Camiş Sigorta	-	103.065
Camiş Elektrik	-	71.800
Other	-	3.871
	<u>6.119.726</u>	<u>19.362.753</u>
	<u>11.095.392</u>	<u>30.835.499</u>

(\*) Cam Pazarlama A.Ş. merged with Şişecam Holding at 31 December 2007. Therefore, transactions with Cam Pazarlama A.Ş. during 2007 and receivable and payable balances with Cam Pazarlama A.Ş. are included in Şişecam Holding balances.

Other receivables and payables of the Group consist of receivables and payables arising from finance transactions with the subsidiaries of the Group and Türkiye Şişe ve Cam Fabrikaları A.Ş. Other receivables and payables do not have maturities. At each reporting date, the Group accrues interest on such receivables and payables at current account interest rate which is determined by Türkiye Şişe ve Cam Fabrikaları A.Ş. by reference to changes in money markets. Interest rate used for December 2007 is 1,35% (December 2006: 1,25%)

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

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**9. RELATED PARTY TRANSACTIONS (cont'd)**

	1 January- 31 December 2007	1 January- 31 December 2006
<b>Sales to related parties</b>		
Şişecam Dış Ticaret	79.482.181	-
Şişecam Holding (*)	52.342.459	-
Cam Pazarlama (*)	-	132.301.937
Paşabahçe Cam	15.556.279	19.329.379
Soda Sanayi	424.480	466.047
Anadolu Cam	289.577	465.399
Camiş Ambalaj	192.605	334.733
Cam Elyaf	107.725	192.765
Anadolu Cam Yenişehir	73.224	110.190
Camiş Elektrik	57.272	-
Denizli Cam	27.744	71.349
Camiş Madencilik	22.718	62.090
Other	10.314	8.639
Paşabahçe Eskişehir	-	362.698
Paşabahçe Mağazaları	-	189.510
Ferro Döküm (**)	-	94.002
JSC Mina	-	13.082
Omco İstanbul	-	10.361
Oxyvit Kimya	-	6.147
	<b>148.586.578</b>	<b>154.018.328</b>
<b>Purchases from related parties</b>		
Soda Sanayi	46.707.722	39.849.481
Camiş Madencilik	34.774.020	29.759.270
Camiş Elektrik	24.232.255	22.504.044
Şişecam Bulgaria Ltd.	9.749.233	7.113.083
Şişecam Holding (*)	5.175.528	-
Cam Pazarlama (*)	-	23.543.200
Şişecam Dış Ticaret	2.760.201	-
Paşabahçe Cam	1.000.871	3.682.357
Cam Elyaf	81.007	-
Çayırova Cam	43.578	-
Other	35.934	155.141
Paşabahçe Mağazaları	8.871	152.055
Camiş Limited	-	9.964.115
Solvay Bulgaria	-	1.677.116
Anadolu Cam Yenişehir	-	207.697
	<b>124.569.220</b>	<b>138.607.559</b>

(\*) Cam Pazarlama A.Ş. merged with Şişecam Holding at 31 December 2007. Balance with Şişecam Holding as of 31 December 2007 arises from trading transactions with Cam Pazarlama.

(\*\*) All of the shares of Ferro Döküm Sanayi ve Ticaret A.Ş. which were owned by the Group's main shareholder, T. Şişe ve Cam Fabrikaları A.Ş. and its subsidiaries were sold by 17 July 2007. Therefore, balances with Ferro Döküm are not included in related party receivables and payables as of 31 December 2007.

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

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**9. RELATED PARTY TRANSACTIONS (cont'd)**

	1 January- 31 December 2007	1 January- 31 December 2006
<u>Interest income from / (expense to) related parties:</u>	<u>2007</u>	<u>2006</u>
Camiş Elektrik	207.670	233.879
Paşabahçe Eskişehir	31.478	110.303
Camiş Ambalaj	23.612	115.657
Denizli Cam	2.115	21.655
Paşabahçe Mağazaları	1.633	2.850
Other	675	9.068
Cam Pazarlama	-	1.491.053
Camiş Ltd.	-	382.492
Ferro Döküm	-	23.293
JSC Mina	-	4.624
Oxyvit Kimya	(1.032)	2.401
Anadolu Cam Yenişehir	(5.471)	(42.217)
Cam Elyaf	(28.853)	7.418
Soda Sanayi	(40.760)	(55.534)
Şişecam Dış Ticaret	(43.297)	-
Anadolu Cam	(45.366)	(652.278)
Çayırova Cam	(48.897)	20.492
Camiş Madencilik	(79.343)	(55.479)
Paşabahçe Cam	(85.403)	21.872
Şişecam Holding	(1.812.261)	(60.359)
	<u>(1.923.500)</u>	<u>1.581.190</u>
	1 January- 31 December 2007	1 January- 31 December 2006
<u>Service income</u>		
Paşabahçe Cam	916.550	618.911
Camiş Madencilik	97.197	108.769
Şişecam Holding	33.930	42.469
Camiş Elektrik	16.965	21.235
Anadolu Cam	13.672	16.406
	<u>1.078.314</u>	<u>807.790</u>
	1 January- 31 December 2007	1 January- 31 December 2006
<u>Rent income</u>		
Camiş Madencilik	210.190	190.660
Paşabahçe Cam	192.913	221.522
	<u>403.103</u>	<u>412.182</u>

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**9. RELATED PARTY TRANSACTIONS (cont'd)**

	1 January- 31 December 2007	1 January- 31 December 2006
<b>Rent expense</b>		
Şişecam Holding	1.430.461	1.467.518
Çayırova Cam	547.620	492.077
Anadolu Cam	97.070	-
Paşabahçe Cam	40.084	8.920
Cam Pazarlama	-	43.515
	<u>2.115.235</u>	<u>2.012.030</u>
	1 January- 31 December 2007	1 January- 31 December 2006
<b>Services received</b>		
Şişecam Holding	10.431.537	10.092.370
Camiş Madencilik	128.600	79.824
Cam Elyaf	19.560	-
Camiş Elektrik	18.555	8.425
Cam Pazarlama	-	675.487
Soda Sanayi	-	576.274
	<u>10.598.252</u>	<u>11.432.380</u>
	1 January- 31 December 2007	1 January- 31 December 2006
<b>Commission expense</b>		
Şişecam Holding	2.806.650	1.584.636
Paşabahçe Cam	1.204.132	-
Şişecam Dış Ticaret	268.514	-
Anadolu Cam Yenişehir	71.841	-
Soda Sanayi	5.950	-
Cam Pazarlama	-	695.262
	<u>4.357.087</u>	<u>2.279.898</u>
	1 January- 31 December 2007	1 January- 31 December 2006
<b>Fixed asset sales</b>		
Paşabahçe Cam	1.359.641	1.222.883

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**10. OTHER RECEIVABLES AND PAYABLES**

	31 December 2007	31 December 2006
<b>Other Current Receivables</b>		
Sundry receivables	204.647	499.280
VAT receivable	21.229.250	10.244.479
Other VAT	2.785.621	1.229.508
Business advances given	75.131	201.684
Receivables from personnel	130.576	172.484
	<u>24.425.225</u>	<u>12.347.435</u>

**11. BIOLOGICAL ASSETS**

None.

**12. INVENTORIES**

	31 December 2007	31 December 2006
Raw materials	29.613.791	26.418.611
Secondary materials	15.396.396	12.594.397
Work in process	23.186.052	16.634.354
Finished goods	56.916.500	49.213.074
Trade goods	1.659.101	3.038.169
Other inventory	295.255	302.401
Order advances given	2.409.875	2.585.020
	<u>129.476.970</u>	<u>110.786.026</u>

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

None.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

#### 14. DEFERRED TAX ASSETS AND LIABILITIES

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

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

	31 December 2007	31 December 2006
Deferred tax assets	21.523.092	19.267.307
Deferred tax liabilities	(69.057.620)	(64.463.692)
Deferred tax liability (net)	<u>(47.534.528)</u>	<u>(45.196.385)</u>

Tax rate used for deferred tax calculation is effective tax rate of each consolidated entity; 10% for joint ventures established in Bulgaria, 30% for temporary differences which will be realized until the end of 2008 for Trakya Yenisehir Cam Sanayii A.Ş. and 20% for all other differences. Deferred tax bases are as follows:

	31 December 2007	31 December 2006
<u>Deferred tax (asset)/ liabilities:</u>		
Restatement and depreciation / amortization differences of property, plant and equipment and intangible assets	66.813.452	69.024.414
Provision for employment termination benefits	(5.533.975)	(5.494.637)
Non-real finance costs	(37.255)	(74.509)
Unused investment incentives	(10.520.165)	(17.774.194)
Inventory valuation and profit margin elimination	(261.086)	(228.221)
Discount on receivables and payables	(576.128)	(363.545)
Tax losses carried forward	(2.826.455)	(1.102.369)
Insurance income accrual	-	1.354.284
Fair value difference of available for sale financial assets	1.127.340	11.487
Sundry income and expense accruals (net)	(651.200)	(156.325)
	<u>47.534.528</u>	<u>45.196.385</u>
	1 January- 31 December	1 January- 31 December
<u>Movement of deferred tax (assets) / liabilities:</u>	2007	2006
Opening balance at 1 January	45.196.385	98.677.398
Effect of tax rate change	-	(33.148.836)
Foreign currency translation effect	(146.417)	(90.030)
Charged to equity	1.368.873	65.271
Deferred tax (benefit) / charge	1.115.687	(20.307.418)
Closing balance at 31 December	<u>47.534.528</u>	<u>45.196.385</u>

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

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#### 14. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

At the balance sheet date, the Group has unused tax losses of TRY 9.421.516 (2006: TRY 3.674.563), which belong to Trakya Yenişehir Cam Sanayi A.Ş., available for offset against future profits. A deferred tax asset has been recognized in respect of TRY 2.826.455 (2006: TRY 1.102.369) of such losses.

At the balance sheet date, the Group has unused investment incentive of TRY 77.091.505 (2006: TRY 59.247.314) which belong to Trakya Yenişehir Cam Sanayi A.Ş. A deferred tax asset of TRY 10.520.165 (2006: TRY 17.774.194) has been recognized for the portion of unused investment incentive which is estimated to be utilised until the end of 2008.

Expiration schedule of carryforward tax losses is as follows :

	31 December 2007	31 December 2006
Expiring in 2011	3.674.563	3.674.563
Expiring in 2012	5.746.953	-
	<u>9.421.516</u>	<u>3.674.563</u>

#### 15. OTHER ASSETS AND LIABILITIES

	31 December 2007	31 December 2006
<u>Other Current Assets</u>		
Prepaid expenses	1.383.432	1.010.797
Income accruals	-	898.618
	<u>1.383.432</u>	<u>1.909.415</u>
<u>Other Non-Current Assets</u>		
Prepaid expenses	507.229	-
	<u>507.229</u>	<u>-</u>
	31 December	31 December
<u>Other Current Liabilities</u>	2007	2006
Taxes and dues payable	3.142.005	4.005.744
Social security premiums payable	2.865.037	6.496.057
Due to personnel	2.274.004	1.663.931
Deferred revenue	3.838.868	-
Other current liabilities	2.921.712	852.635
	<u>15.041.626</u>	<u>13.018.367</u>
	31 December	31 December
<u>Other Non-Current Liabilities</u>	2007	2006
Deferred revenue	410.899	465.072
Deposits received	18.010	23.760
	<u>428.909</u>	<u>488.832</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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#### 16. FINANCIAL ASSETS

		31 December		31 December	
		2007		2006	
Investments in associates		56.212.892		53.621.987	
Available for sale investments		109.924.014		77.492.188	
		<u>166.136.906</u>		<u>131.114.175</u>	
	Share %	31 December		31 December	
		2007		2006	
<u>Investments in associates</u>					
Çayırova Cam San. A.Ş. (*)	28,13	24.671.843	28,13	29.714.545	
Camiş Elektrik A.Ş. (*)	34,43	31.541.049	34,43	23.907.442	
		<u>56.212.892</u>		<u>53.621.987</u>	
<u>Available for sale investments</u>					
Cam Elyaf San. A.Ş.	20,93	34.078.911	20,93	34.078.911	
Paşabahçe Cam San. ve Tic. A.Ş.	7,11	31.424.425	7,11	31.422.804	
Camiş Madencilik A.Ş.	6,78	7.352.975	6,78	24.321.341	
T. Şişe ve Cam Fabrikaları A.Ş. (**)	1,57	37.067.703	0,08	1.644.044	
Cam Pazarlama A.Ş. (**)	-	-	2,81	625.110	
İstanbul Porselen San. A.Ş.	0,03	69.501	0,03	69.501	
Bünsa Döküm Makine Alet Sanayi A.Ş.	0,02	209.048	0,02	209.048	
		<u>110.202.563</u>		<u>92.370.759</u>	
Impairment (***)		<u>(278.549)</u>		<u>(14.878.571)</u>	
Net		<u>166.136.906</u>		<u>131.114.175</u>	

(\*) Çayırova Cam and Camiş Elektrik have been accounted by using equity method in the accompanying consolidated financial statements.

(\*\*) The shares of T. Şişe ve Cam Fabrikaları A.Ş. are publicly traded at the İstanbul Stock Exchange (ISE) and stated at their fair values in the accompanying financial statements. T. Şişe ve Cam Fabrikaları A.Ş. and Cam Pazarlama A.Ş., available for sale investments of the Group, merged through transfer of assets and liabilities as of 31 December 2007. After this merger, share capital of T. Şişe ve Cam Fabrikaları A.Ş. was increased by TRY 56.806.184. Together with shares of T. Şişe ve Cam Fabrikaları A.Ş. amounting to TRY 581.157 which were owned by Cam Pazarlama A.Ş. and transferred to T. Şişe ve Cam Fabrikaları A.Ş. as a result of the merger, shares of T. Şişe ve Cam Fabrikaları A.Ş. amounting to TRY 57.387.341 were distributed to other shareholders of Cam Pazarlama A.Ş. As a result of this merger, there was an increase in the value of available for sale investments of Trakya Cam Sanayii A.Ş. and Çayırova Cam Sanayi A.Ş., which was consolidated by equity method. This increase has been accounted in equity and not included in current period profit and loss.

(\*\*\*) As of 31 December 2007, TRY 69.501 of the impairment is related to İstanbul Porselen San. A.Ş. and TRY 209.048 of the impairment is related to Bünsa Döküm Makine Alet Sanayi A.Ş. As of 31 December 2006, TRY 69.501 of the impairment is related to İstanbul Porselen San. A.Ş., TRY 209.048 of the impairment is

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

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related to Bünsa Döküm Makine Alet Sanayi A.Ş. and TRY 14.600.022 of the impairment is related to Camış Madencilik A.Ş.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

As per share split contract between Çayırova Cam, Camış Madencilik and Cam Pazarlama A.Ş., at March 2007 Çayırova Cam ve Camış Madencilik decreased their capital. Çayırova Cam decreased its capital of TRY 67.296.000 by 86% and Camış Madencilik decreased its capital of TRY 33.115.487 by 39%. As a result of these capital decreases, shareholders of Çayırova Cam and Camış Madencilik were given 0,429 unit share of Cam Pazarlama A.Ş. in return of 1 unit nominal share. An asset-liability difference resulting from this transaction was accounted through equity and recorded directly in retained earnings since it is resulted from reorganization transactions between group companies which were decided by the main shareholder.

#### Associates accounted for by using the equity method of accounting:

	31 December 2007	31 December 2006
Cost of investment in associates	23.973.649	72.454.204
Share of post-acquisition profit, net of dividend received	32.239.243	(18.832.217)
	<u>56.212.892</u>	<u>53.621.987</u>

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

	31 December 2007	31 December 2006
Total assets	249.202.710	246.047.835
Total liabilities	(69.885.818)	(70.975.661)
Net assets	179.316.892	175.072.174
Group's share of associates' net assets	<u>56.212.892</u>	<u>53.621.987</u>

  

	1 January- 31 December 2007	1 January- 31 December 2006
Revenue	254.969.016	60.849.081
Profit for the period	21.456.191	(22.959.920)
Group's share of associates' profit for the period	6.176.190	(8.011.455)

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

	31 December 2007	31 December 2006
Current assets	50.932.076	51.992.228
Non-current assets	261.874.982	290.575.559
Current liabilities	(26.059.128)	(48.800.709)
Non-current liabilities	(71.985.704)	(88.126.564)
	1 January- 31 December 2007	1 January- 31 December 2006
Income	143.703.970	103.163.014
Expenses	(117.901.197)	(91.362.216)

#### 17. POSITIVE/NEGATIVE GOODWILL

None.

#### 18. INVESTMENT PROPERTY

None.

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**19. TANGIBLE ASSETS**

	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixture	Other Tangible Fixed Assets	Leasehold Improvements	Construction in Progress	Total
<b><u>Cost Value</u></b>										
Opening balance as of 1 January 2007	10.123.537	30.437.285	297.330.674	976.923.147	17.484.140	70.798.378	9.355.718	4.362.074	195.339.305	1.612.154.258
Translation gain / loss	(44.640)	(50.871)	(4.184.656)	(8.706.193)	(752.677)	(447.998)	(1.536)	-	(3.838.177)	(18.026.748)
Additions	-	182.453	104.757	2.538.739	4.481.787	3.221.367	-	42.902	167.000.303	177.572.308
Disposals	-	-	-	(5.704.263)	(522.861)	(828.192)	(1.808.668)	-	(6.992.220)	(15.856.204)
Transfers from construction in progress	-	12.728.194	84.649.174	241.773.867	118.989	4.324.161	972.111	-	(344.886.065)	(319.569)
Closing balance as of 31 December 2007	10.078.897	43.297.061	377.899.949	1.206.825.297	20.809.378	77.067.716	8.517.625	4.404.976	6.623.146	1.755.524.045
<b><u>Accumulated Depreciation</u></b>										
Opening balance as of 1 January 2007	-	(14.089.601)	(57.245.253)	(503.719.797)	(6.236.437)	(53.927.868)	(4.392.278)	(3.356.803)	-	(642.968.037)
Translation gain / loss	-	2.858	82.146	821.395	60.349	68.880	796	-	-	1.036.424
Charge of the year	-	(3.187.100)	(6.717.770)	(71.564.968)	(2.773.571)	(4.301.547)	(1.081.934)	(323.684)	-	(89.950.574)
Disposals	-	-	-	2.003.846	32.608	240.738	198.744	-	-	2.475.936
Closing balance as of 31 December 2007	-	(17.273.843)	(63.880.877)	(572.459.524)	(8.917.051)	(57.919.797)	(5.274.672)	(3.680.487)	-	(729.406.251)
Carrying value as of 31 December 2007	10.078.897	26.023.218	314.019.072	634.365.773	11.892.327	19.147.919	3.242.953	724.489	6.623.146	1.026.117.794

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

	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixture	Other Tangible Fixed Assets	Leasehold Improvements	Construction in Progress	Total
<b><u>Cost Value</u></b>										
Opening balance as of 1 January 2006	10.040.137	29.285.260	257.620.990	912.991.969	8.277.180	68.295.856	6.268.720	3.709.350	107.053.246	1.403.542.708
Translation gain / loss	83.400	157.791	2.558.969	4.632.559	126.837	392.663	16.343	-	-	7.968.562
Additions	-	987.292	4.821.857	33.325.191	6.709.239	7.249.263	1.591.247	652.724	202.116.530	257.453.343
Disposals	-	(29.078)	-	(50.752.493)	(486.450)	(5.405.435)	(136.899)	-	-	(56.810.355)
Transfers from construction in progress	-	36.020	32.328.858	76.725.921	2.857.334	266.031	1.616.307	-	(113.830.471)	-
Closing balance as of 31 December 2006	10.123.537	30.437.285	297.330.674	976.923.147	17.484.140	70.798.378	9.355.718	4.362.074	195.339.305	1.612.154.258
<b><u>Accumulated Depreciation</u></b>										
Opening balance as of 1 January 2006	-	(6.531.593)	(51.510.948)	(489.715.505)	(4.702.078)	(55.056.427)	(3.746.456)	(3.156.070)	-	(614.419.077)
Translation gain / loss	-	(738)	(32.569)	(154.600)	(9.836)	(14.990)	(870)	-	-	(213.603)
Charge of the year	-	(648.079)	(5.701.736)	(57.282.311)	(1.898.282)	(3.250.506)	(653.139)	(200.733)	-	(69.634.786)
Impairment during the period (-)	-	(6.916.937)	-	-	-	-	-	-	-	(6.916.937)
Disposals	-	7.746	-	43.432.619	373.759	4.394.055	8.187	-	-	48.216.366
Closing balance as of 31 December 2006	-	(14.089.601)	(57.245.253)	(503.719.797)	(6.236.437)	(53.927.868)	(4.392.278)	(3.356.803)	-	(642.968.037)
Carrying value as of 31 December 2006	10.123.537	16.347.684	240.085.421	473.203.350	11.247.703	16.870.510	4.963.440	1.005.271	195.339.305	969.186.221

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#### 19. TANGIBLE ASSETS (cont'd)

Useful lives of tangible assets used in depreciation calculation are as follows:

	<u>Useful life</u>
Buildings	25 - 50 years
Land improvements	8 - 50 years
Plant, machinery and equipment	10 - 15 years
Motor vehicles	4 - 5 years
Furniture and fixtures	2 - 15 years
Leasehold improvements	4 - 5 years

#### 20. INTANGIBLE ASSETS

	<u>Rights</u>	<u>Other intangible assets</u>	<u>Total</u>
<u>Cost Value</u>			
Opening balance as of 1 January 2007	4.515.558	144.094	4.659.652
Translation gain / loss	-	(10.880)	(10.880)
Additions	133.484	60.513	193.997
Transfers from construction in progress	319.569	-	319.569
Closing balance as of 31 December 2007	4.968.611	193.727	5.162.338
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2007	(2.850.092)	(91.792)	(2.941.884)
Translation gain / loss	-	6.864	6.864
Charge of the year	(559.512)	(49.362)	(608.874)
Closing balance as of 31 December 2007	(3.409.604)	(134.290)	(3.543.894)
Carrying value as of 31 December 2007	<u>1.559.007</u>	<u>59.437</u>	<u>1.618.444</u>

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**20. INTANGIBLE ASSETS (cont'd)**

	<u>Rights</u>	<u>Other intangible assets</u>	<u>Total</u>
<u>Cost Value</u>			
Opening balance as of 1 January 2006	3.939.674	90.428	4.030.102
Translation gain / loss	-	14.784	14.784
Additions	<u>575.884</u>	<u>38.882</u>	<u>614.766</u>
Closing balance as of 31 December 2006	4.515.558	144.094	4.659.652
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2006	(2.447.152)	(24.878)	(2.472.030)
Translation gain / loss	-	(4.200)	(4.200)
Charge of the year	<u>(402.940)</u>	<u>(62.714)</u>	<u>(465.654)</u>
Closing balance as of 31 December 2006	(2.850.092)	(91.792)	(2.941.884)
Carrying value as of 31 December 2006	<u>1.665.466</u>	<u>52.302</u>	<u>1.717.768</u>

**21. ADVANCES RECEIVED**

	<u>31 December 2007</u>	<u>31 December 2006</u>
Advances received - current	1.943.305	3.960.241
	<u>1.943.305</u>	<u>3.960.241</u>

**22. PENSION PLANS**

None.

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#### 23. PROVISIONS

	31 December 2007	31 December 2006
<u>Current provisions</u>		
Provision for corporate tax (Note 41)	39.079.431	27.578.958
Prepaid taxes and funds (-)	(29.662.746)	(19.846.346)
	<u>9.416.685</u>	<u>7.732.612</u>
	31 December 2007	31 December 2006
<u>Non-current provisions</u>		
Provision for employment termination benefits	27.702.115	27.483.008
	<u>27.702.115</u>	<u>27.483.008</u>

#### **Provision for employment termination benefits:**

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered, 25 August 1999 dated and 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TRY 2.030,19 (2006: TRY 1,857.44) for each period of service at 31 December 2007.

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

Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Revised IAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability.

Principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2007 and 31 December 2006, provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the respective balance sheet were calculated assuming an annual inflation rate of 5% and a discount rate of 11%, the real discount rate is approximately 5,71%. (2006: in order 5%, 11% and 5,71%). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TRY 2.087,92 effective from 1 January 2008 has been taken into consideration in calculation of provision from employment termination benefits

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

##### Provision for employment termination benefits (cont'd):

	1 January- 31 December 2007	1 January- 31 December 2006
Provision at 1 January	27.483.008	26.873.510
Service cost	1.803.271	3.055.063
Interest cost	1.569.280	1.534.477
Retirement pay paid	(3.153.444)	(3.980.042)
Provision at 31 December	<u>27.702.115</u>	<u>27.483.008</u>

#### 24. MINORITY INTEREST

	1 January- 31 December 2007	1 January- 31 December 2006
Opening balance	12.492.726	3.068.759
Increase in minority share in current period	12.031.250	9.022.500
Minority share on income for the period	1.664.403	401.467
Closing balance	<u>26.188.379</u>	<u>12.492.726</u>

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#### 25. SHARE CAPITAL

Shareholder structure of the Company as of 31 December 2007 and 2006 is as follows:

Shareholders	%	31 December		31 December	
		2007	%	2006	
T.Şişe ve Cam Fabrikaları A.Ş.	66,38	317.405.298	59,98	177.556.505	
Open to public	32,83	156.962.433	31,31	92.685.798	
Şişecam group companies	0,73	3.503.444	8,65	25.606.265	
IFC	0,06	310.758	0,06	177.616	
<b>Nominal Capital</b>	<b>100,00</b>	<b>478.181.933</b>	<b>100,00</b>	<b>296.026.184</b>	

The total number of ordinary shares is 478.181.933 (2006: 296.026.184) with a par value of TRY 1 per share (2006: TRY 1 per share).

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

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

Legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

In accordance with Communiqué No: XI/25, 'capital, emission premiums, legal reserves, statutory reserves, special reserves and extraordinary reserves' under the shareholders equity are carried at their registered amounts in the balance sheet on the face of inflation adjusted financial statements, and their adjusted amounts are presented in the shareholders' equity under the "Inflation adjustment of equity items" account in total.

Publicly held companies distribute dividends based on the regulations declared by the CMB.

As of 31 December 2007, nominal amounts, adjusted amounts and inflation adjusted differences of shareholders' equity are as follows:

31 December 2007	Nominal	Inflation Adjustment to Shareholders' Equity Items	Adjusted Amounts
Capital	478.181.933	5.576.528	483.758.461
Premium in excess of par	22.703	19.574	42.277
Investment revaluation reserves	37.210.351	-	37.210.351
Legal reserves	57.935.557	31.126.758	89.062.315
Extraordinary reserves	73.778.377	29.353.906	103.132.283
	<b>647.128.921</b>	<b>66.076.766</b>	<b>713.205.687</b>

In current year, the Company increased its capital by TRY 180.815.326 from inflation adjustments to shareholders' equity; TRY 130.496.942 from inflation adjustment on capital, TRY 50.318.384 from inflation

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adjustment on legal reserves. Remaining amount of TRY 5.576.528 in inflation adjustment on capital is related to Camiř Lojistik Hizmetleri ve Ticaret A.ř.

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

As of 31 December 2006, nominal amounts, adjusted amounts and inflation adjusted differences of shareholders' equity are as follows:

<u>31 December 2006</u>	<u>Nominal</u>	<u>Inflation Adjustment to Shareholders' Equity Items</u>	<u>Adjusted Amounts</u>
Capital	296.026.184	136.073.470	432.099.654
Premium in excess of par	22.703	19.574	42.277
Investment revaluation reserves	1.287.518	-	1.287.518
Legal reserves	47.065.417	81.444.816	128.510.233
Extraordinary reserves	42.603.457	29.353.906	71.957.363
	<u>387.005.279</u>	<u>246.891.766</u>	<u>633.897.045</u>

Prior periods' income of the Group amounting to TRY 225.328.300 is classified to retained earnings in the consolidated balance sheet as of 31 December 2007 (31 December 2006: TRY 202.431.911).

#### 29. FOREIGN CURRENCY POSITION

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation to New Turkish Lira of foreign currency denominated liabilities and assets. The Group has a net foreign currency liability position due to the foreign currency denominated borrowings. Therefore, the Group monitors currency risk by the analysis of foreign currency position.

As of 31 December 2007 and 31 December 2006, the Group's foreign currency position and the amounts of assets and liabilities in foreign currencies held by the Group are given as follows:

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**29. FOREIGN CURRENCY POSITION (cont'd)**

31 December 2007	US Dollars (TRY equivalent)	EURO (TRY equivalent)	Other currencies (TRY equivalent)	Total TRY
Cash and cash equivalents	23.262.614	47.149.494	1.213.225	71.625.333
Trade receivables	450.543	8.549.052	1.356.901	10.356.496
Due from related parties	-	1.685.125	-	1.685.125
Other current assets	300.493	1.354.672	-	1.655.165
Bank loans	(12.152.645)	(325.295.290)	-	(337.447.935)
Due to related parties	-	(3.119.234)	-	(3.119.234)
Trade payables	(651.829)	(7.200.950)	(116.863)	(7.969.642)
Net foreign currency position	11.209.176	(276.877.131)	2.453.263	(263.214.692)
31 December 2006	US Dollars (TRY equivalent)	EURO (TRY equivalent)	Other currencies (TRY equivalent)	Total TRY
Cash and cash equivalents	19.464.278	55.799.359	182.371	75.446.008
Trade receivables	46.828	195.261	-	242.089
Due from related parties	2.293.145	30.906.647	3.619.947	36.819.739
Bank loans	(20.531.467)	(210.225.809)	-	(230.757.276)
Due to related parties	(3.647.599)	(10.568.759)	(566.720)	(14.783.078)
Trade payables	(348.682)	(3.643.708)	(320.080)	(4.312.470)
Net foreign currency position	(2.723.497)	(137.537.009)	2.915.518	(137.344.988)

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#### 30. GOVERNMENT GRANTS AND INCENTIVES

Investment incentive certificates, which were based on the acquisition of tangible assets subject to depreciation, are revoked commencing from 1 January 2006. However, investment incentives as of 31 December 2005 that cannot be deducted in the financial year 2005 and carried forward to the financial year 2006 in accordance with the Provisional Article 69 of Income Withholding Tax Law, and investment incentive amounts to be calculated based on the requirements of the prevailing legislation at 31 December 2005 regarding the investment expenditures made subsequent to 1 January 2006 that are economically and technically related to the investments under the annulled Article 19 of Income Withholding Tax Law commencing prior to the aforementioned date and expenditures made subsequent to 1 January 2006 that are related to the investment incentive certificates obtained prior to 24 April 2003 are also be deductible from the 2006, 2007 and 2008 taxable income based on the prevailing Law (including the tax rate requirements) as of 31 December 2005 in order to maintain the vested rights attributable to entities.

Regardless of profit distribution, 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.

In accordance with Section 10 of the Law No: 5220, 40% of research and development (“R&D”) expenditures from the Group’s exclusive and new search for technology and information is exempt from corporate tax as a R&D deduction. No withholding tax is applied for R&D deductions.

Expenses regarding industries having R&D quality projects which were qualified by expert organizations are reviewed and evaluated so that specific proportion of these expenses are considered as grants or are given support on the condition of payback within the context of the decision No: 94/6401 made on the government grants for exporting activities in accordance with the Money Credit Coordination Board’s Communiqué No: 98/10 on Research and Development Grants published by the Under Secretariat of Foreign Trade based on the decision No: 98/16 made as at 9 September 1998.

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

The government grants are paid to support participating in international fairs in accordance with the decision No: 2004/11 of the Money Credit and Coordination Committee issued at 16 December 2004.

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#### 31. COMMITMENTS AND CONTINGENCIES

	31 December 2007	31 December 2006
Promissory notes and collaterals given (*)	89.163.809	123.436.897
Letters of guarantees given	9.963.314	3.349.836
Other	94.107	394.475
	<u>124.698.730</u>	<u>127.181.208</u>

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

As of 31 December 2007, the total monetary amount of court cases filed and currently pending against the Group is approximately TRY 324.748 (31 December 2006: TRY 106.535). 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.

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

#### 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

Based on the decision taken in the extraordinary meeting of the General Assembly on 2 August 2007, the Company has merged with Camiř Lojistik Hizmetleri ve Ticaret A.ř. through transfer of assets and liabilities in accordance with Article 451 of the Turkish Commercial Code, Articles 18, 19 and 20 of the Corporate Tax Law and the Capital Markets Board Communiqué No: I/31. As a result of this merger, the Company's share capital was increased by TRY 4.140.749.

In business combinations under common control, assets and liabilities subject to business combination were accounted for at carrying value in consolidated financial statements. Statements of income were consolidated starting from the beginning of the fiscal year in which the business combination was realized. Financial statements of previous fiscal years were reorganized in the same manner in order to maintain consistency and comparability. Any positive or negative goodwill arising from such business combination was not recognized in the consolidated financial statements. The residual balance calculated by netting off investment in subsidiary and the share acquired in subsidiary's capital was directly accounted under equity as "effect of business combinations under common control".

Financial statements of Camiř Lojistik Hizmetleri ve Ticaret A.ř. have been consolidated in the accompanying consolidated financial statements retrospectively. Therefore, the accompanying consolidated balance sheet as of 31 December 2006 and consolidated income statement for the year then ended are different from those reported previously. Such differences are summarized below:

	As previously reported	Restated
Consolidated balance sheet as of 31 December 2006		
Current assets	405.628.494	413.477.991
Non-current assets	1.120.473.230	1.121.370.928
Current liabilities	243.251.017	240.195.478
Non-current liabilities	290.641.565	291.355.431
Minority interest	12.492.726	12.492.726
Equity	979.716.416	990.805.284
Net income for the year ended 31 December 2006	144.522.567	146.078.662

#### 33. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

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

At the Board of Directors meeting of the Company held on 12 February 2008, the Board has decided to commence the necessary activities for flat glass factory investment in Krasnodar Region of Russia.

At the Board of Directors meeting of the Company held on 12 February 2008, the Board has decided to increase the registered capital ceiling from TRY 600.000.000 to TRY 1.000.000.000 and to initiate preparations in order to discuss the subject in the first available General Assembly. In this respect, the permission of the Capital Markets Board related to amendment of the Articles of Association was obtained on 13 March 2008.

At the Board of Directors meeting of řiřecam Holding held on 10 March 2008, the previous decision dated 3 September 2007 on the sale of remaining portions of publicly traded subsidiaries of Trakya Cam Sanayi A.ř., Anadolu Cam Sanayi A.ř. and Soda Sanayi A.ř. shares other than the shares representing the 51% of intra-group capital to domestic or foreign investment institutions is withdrawn considering the existing global macroeconomic conditions.

At the Board of Directors meeting of the Company held on 26 March 2008, the Board has decided to make investments for the second phase of investments which include second flat glass, automotive, coated and laminated glass plants amounting to US Dollars 415 Million in addition to its existing investments in Bulgaria. Second phase of those investments are expected to be completed in 2010.

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#### 35. DISCONTINUED OPERATIONS

None.

#### 36. REVENUE AND COST OF SALES

<u>Net sales</u>	1 January- 31 December 2007	1 January- 31 December 2006
Domestic sales	744.404.258	623.891.890
Export sales	233.427.204	176.808.546
Sales returns	(2.668.006)	(3.079.061)
Sales discounts	(33.084.967)	(36.543.673)
Other deductions from sales	(46.132.150)	(42.521.299)
	<u>895.946.339</u>	<u>718.556.403</u>

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

<u>Cost of sales</u>	1 January- 31 December 2007	1 January- 31 December 2006
Raw materials used	(361.275.650)	(299.650.740)
Personnel expenses	(49.973.377)	(42.810.132)
Production overheads	(54.803.305)	(49.333.695)
Depreciation expenses	(72.420.839)	(57.278.993)
Change in work-in-progress inventories	6.551.698	2.325.073
Change in finished goods inventories	7.703.426	10.678.553
	<u>(524.218.047)</u>	<u>(436.069.934)</u>
Cost of merchandises sold	(35.742.724)	(14.487.917)
Cost of services rendered (*)	(8.054.540)	(7.233.062)
	<u>(568.015.311)</u>	<u>(457.790.913)</u>

(\*) Cost of services rendered includes depreciation expense of TRY 378.725 and personel expense of TRY 331.268 for the period 1 January - 31 December 2007 (31 December 2006: TRY 624.410 and TRY 2.134.701 respectively).

#### 37. OPERATING EXPENSES

	1 January- 31 December 2007	1 January- 31 December 2006
Research and development expenses	5.737.565	5.689.828
Marketing, selling and distribution expenses	73.362.384	48.364.744
General administrative expenses	66.681.043	61.983.153
	<u>145.780.992</u>	<u>116.037.725</u>

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#### 37. OPERATING EXPENSES (cont'd)

Allocation of operating expenses according to their natures is as follows:

	1 January- 31 December 2007	1 January- 31 December 2006
Indirect material cost	4.106.252	2.048.879
Personnel expenses	42.049.727	37.455.525
Depreciation and amortization expenses	17.759.884	12.197.037
Services rendered by third parties	47.185.610	36.871.726
Taxes and dues	1.701.965	1.720.220
Miscellaneous expenses	32.977.554	25.744.338
	<u>145.780.992</u>	<u>116.037.725</u>

#### 38. OTHER OPERATING INCOME / (EXPENSES)

Details of other operating income for the years ended 31 December 2007 and 2006 are as follows:

	1 January- 31 December 2007	1 January- 31 December 2006
Dividend income from subsidiaries	3.216.413	3.577.562
Income from associates (**)	8.707.511	-
Commission income	1.623.003	571.971
Reversal of impairment on investments	719.084	-
Profit on sales of broken glass	3.813.902	3.726.032
Income from facilities	1.024.548	1.132.583
Insurance claim income for damages and loss of profit (*)	24.298.674	605.619
Profit on sale of property, plant and equipment	357.000	694.969
Other income	6.558.575	4.766.557
	<u>50.318.710</u>	<u>15.075.293</u>

(\*) Anadolu Sigorta A.Ş. has completed its inspection of insurance claim by the Company related to the damage of TR1 flat glass furnace of the Company's Trakya factory due to the extraordinary heavy rain on 2 July 2006. In addition to advance of US Dollars 4 million taken at August 2006, the Company collected US Dollars 7.612.941 related to damage coverage at 14 August 2007. As a result, total coverage for physical damage is US Dollars 11.612.941. Income recognized in current year profit related to collected insurance coverages is TRY 9.489.450, TRY 8.616.032 of which is related to TR-1 furnace damage. The Company has collected TRY 14.809.224 from Anadolu Sigorta A.Ş. related to coverage for loss of profit and recognized as income in current year. All procedures related to insurance coverages have been completed.

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**38. OTHER OPERATING INCOME / (EXPENSES)**

Details of other operating expense for the years ended 31 December 2007 and 2006 are as follows:

	1 January- 31 December 2007	1 January- 31 December 2006
Loss from associates (**)	-	(8.172.851)
Impairment on available for sale assets	-	(2.661.371)
Commission expenses	(1.108.102)	(125.407)
Impairment on property, plant and equipment	-	(6.916.937)
Loss on sale of property, plant and equipment	(422.479)	-
Start up cost of furnace	(34.087)	(3.872.328)
Loss on sales of broken glass	(7.257.798)	(4.632.014)
Other expense	(688.284)	(1.141.328)
	<u>(9.510.750)</u>	<u>(27.522.236)</u>

(\*\*) Income / (loss) from associates

	1 January- 31 December 2007	1 January- 31 December 2006
Çayırova Cam	1.073.905	176.250
Camiş Elektrik	7.633.606	(8.349.101)
	<u>8.707.511</u>	<u>(8.172.851)</u>

**39. FINANCE INCOME / EXPENSES, NET**

	1 January- 31 December 2007	1 January- 31 December 2006
Interest income	8.562.411	11.090.160
Foreign exchange gains	33.274.518	62.789.170
Discount income	656.630	278.257
Foreign exchange losses	(16.719.906)	(23.504.386)
Discount expense	(1.553.930)	(1.228.155)
Cost of borrowings	(31.805.410)	(61.103.035)
	<u>(7.585.687)</u>	<u>(11.677.989)</u>

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#### 40. NET MONETARY GAIN / LOSS

According to the decision of CMB 17 March 2005 dated and 11/367 numbered, inflation accounting has been terminated from the beginning 2005, therefore; no monetary gain/loss is reported for 31 December 2007 and 2006.

#### 41. TAXATION ON INCOME

##### Corporate Tax

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

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 rate of tax in 2007 is 20% (2006: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2007 is 20% (2006: 20%).

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

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. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

##### Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax was 10% starting from 24 April 2003. This rate was changed to 15% by Article 15 in the Code numbered 5520 commencing from 21 December 2006. However, until the resolution of council of ministers, it was used as 10%. After the resolution declared in the Official Gazette on 23 July 2006, this rate has been changed to 15% effective from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

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

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#### 41. TAXATION ON INCOME (cont'd)

##### Income withholding tax(cont'd)

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

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

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

##### Inflation adjusted legal tax calculation

Company has adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 which requires the application of inflation accounting in Turkey in 2005 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 and inflation adjusted balances as at 31 December 2004 were taken as opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds as at 31 December 2005, 2006 and 2007, no further inflation adjustment made to the Company's statutory financial statements in 2005, 2006 and 2007.

Provision for taxation as at 31 December 2007 and 31 December 2006 are as follows:

	31 December 2007	31 December 2006
<u>Current tax liability</u>		
Current corporate tax provision	39.079.431	27.578.958
Less: Prepaid taxes and funds	<u>(29.662.746)</u>	<u>(19.846.346)</u>
	<u>9.416.685</u>	<u>7.732.612</u>

**TRAKYA CAM SANAYİİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**41. TAXATION ON INCOME (cont'd)**

	31 December 2007	31 December 2006
<u>Tax provision</u>		
Current year corporate tax provision	(39.079.431)	(27.578.958)
Deferred tax benefit / (charge)	<u>(1.115.687)</u>	<u>53.456.254</u>
Taxation per income statement	<u><u>(40.195.118)</u></u>	<u><u>25.877.296</u></u>
	1 January- 31 December 2007	1 January- 31 December 2006
<u>Reconciliation of taxation</u>		
Profit before taxation and minority interest	215.372.309	120.602.833
Effective tax rate	<u>20%</u>	<u>20%</u>
Taxation calculated	43.074.462	24.120.567
Tax effects of		
-Non deductible expenses	176.805	917.197
-Dividends and other non taxable income	(3.052.893)	(830.585)
-Investment incentives to be utilised	7.254.029	(17.525.781)
-Effect of the change in effective tax rate (*)	-	(46.252.174)
-Effect of equity method consolidation	(1.741.502)	1.634.570
-Income / expenses not taxable/deductible	(3.311.812)	12.579.966
-Consolidation adjustments	(422.092)	511.942
-Effect of joint ventures abroad subject to different tax rates	(1.781.879)	(1.032.998)
Taxation per income statement	<u><u>40.195.118</u></u>	<u><u>(25.877.296)</u></u>

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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#### 42. EARNINGS PER SHARE

As of 31 December 2007 and 31 December 2006, the Company's weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to TRY 1) are as follows:

	1 January- 31 December 2007	1 January- 31 December 2006
Number of outstanding shares as of 1 January	29.602.618.400	23.040.000.000
Non-paid shares issued	<u>18.215.574.900</u>	<u>6.562.618.400</u>
Number of outstanding shares as of 31 December	<u>47.818.193.300</u>	<u>29.602.618.400</u>
Weighted average number of outstanding shares (0.01TRY /share)	47.818.193.300	47.818.193.300
Net period profit	<u>173.512.788</u>	<u>146.078.662</u>
Earnings per share (per 1 TRY share)	<u>0,3629</u>	<u>0,3055</u>

#### 43. STATEMENT OF CASH FLOWS

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

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

Audited consolidated financial statements for the year ended 31 December 2007 prepared in accordance with the standards issued by the Capital Market Board are reviewed by considering the opinion of the Audit Committee and approved by the Board of Directors on 3 April 2008. The financial statements are authorized by a member of Board of Directors, M.Akif Sözen, on behalf of the Board of Directors and finance manager, Müfit Özkara.

#### 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

- Capital risk management

The capital structure of the Group consists of cash and cash equivalents disclosed in note 4, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 25, 26, 27 and 28.

All risks attributable to capital items at cost of capital are reviewed by the top management of the Group and its ultimate parent, T. İş Bankası A.Ş..

- Significant accounting policies

The Group's accounting policies on the financial instruments are disclosed in paragraph g (Financial Instruments) as set out in Note 3 "Summary of Significant Accounting Policies" to the financial statements.

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

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**45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**

31 December 2007	Financial assets at amortized cost	Loans and receivables	Available for sale assets	Financial liabilities at amortized cost	Carrying value	Fair value	Note
<u>Financial assets</u>							
Cash and cash equivalents	84.456.213	-	-	-	84.456.213	84.456.213	4
Trade receivables	-	169.104.864	-	-	169.104.864	169.104.864	7
Due from related parties	-	31.291.316	-	-	31.291.316	31.291.316	9
Other financial assets	-	-	109.924.014	-	109.924.014	109.924.014	16
<u>Financial liabilities</u>							
Borrowings	-	-	-	343.409.843	343.409.843	343.409.843	6
Trade payables	-	-	-	40.383.045	40.383.045	40.383.045	7
Due to related parties	-	-	-	11.095.392	11.095.392	11.095.392	9
31 December 2006	Financial assets at amortized cost	Loans and receivables	Available for sale assets	Financial liabilities at amortized cost	Carrying value	Fair value	Note
<u>Financial assets</u>							
Cash and cash equivalents	126.578.159	-	-	-	126.578.159	126.578.159	4
Trade receivables	-	114.494.038	-	-	114.494.038	114.494.038	7
Due from related parties	-	47.448.375	-	-	47.448.375	47.448.375	9
Other financial assets	-	-	77.492.188	-	77.492.188	77.492.188	16
<u>Financial liabilities</u>							
Borrowings	-	-	-	350.834.805	350.834.805	350.834.805	6
Trade payables	-	-	-	32.733.853	32.733.853	32.733.853	7
Due to related parties	-	-	-	30.835.499	30.835.499	30.835.499	9

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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#### 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

- Financial risk management objectives

The Group's Treasury Function provides services to the business, coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures based on the level and size of the risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk) credit risk, liquidity risk and cash flow interest rate risk.

- Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

At a Group level, market risk exposures are measured by sensitivity analysis.

When compared to prior periods, there has been no change in the Group's exposure to market risks, hedging methods used or the measurement methods used for such risks.

- Foreign currency risk management

Foreign currency operations expose the Group to foreign currency risks.

#### Foreign currency sensitivity

The Group is mainly exposed to Euro and US Dollars risks.

The following table details the Group's sensitivity to 10% increase in the currency of Euro and US Dollars. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The negative amount indicates the revaluation of Euro and US Dollars against TRY. On the contrary, the appreciation of the foreign currencies will have a positive effect on the Group's export income.

	US Dollar impact		EURO impact		BGN impact		Other currencies' impact	
	2007	2006	2007	2006	2007	2006	2007	2006
	(i)	(i)	(ii)	(ii)	(iii)	(iii)	(iv)	(iv)
Profit / loss	896.734	(217.880)	(22.150.170)	(11.002.961)	-	-	196.261	233.241

- (i) Attributable to the exposure to outstanding receivables and payables denominated in US Dollars as of the period-end.
- (ii) Attributable to the exposure to outstanding receivables and payables denominated in EURO as of the period-end.
- (iii) Attributable to the exposure to outstanding receivables and payables denominated in BGN as of the period-end.
- (iv) Attributable to the exposure to outstanding receivables and payables denominated in other currencies as of the period-end.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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#### 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

- Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates.

The Group's exposure to interest rates on financial liabilities is detailed in Note 6 of the financial liabilities section.

##### Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 0,25% basis point increase or decrease on Euribor and Libor is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If Euribor and Libor had been 0,25% points higher and all other variables were held constant, net income for the fiscal year would have been decreased by TRY 683.178 (31 December 2006 decrease in net profit by TRY 784.725). The main reason is the Group's financial liabilities with variable interest rates. In case of 0,25% decrease in the interest rates would cause the net income to increase in the same amounts for both of the periods.

- Credit risk management

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure to credit risks and credit ratings of its counterparties are monitored on a consistent basis. Credit exposure is controlled by counterparty limits that are reviewed and approved each year by the risk management committee.

- Liquidity risk management

The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities through a constant monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

##### Liquidity and interest rate risk tables

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

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**45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**

<u>31 December 2007</u>	Less than 3 months	3 months- 1 year	1 - 5 years	5 + years	Adjustments	Total
Borrowings	49.970.352	89.719.379	220.813.876	38.710.804	(55.804.568)	343.409.843
Trade payables	40.773.216	-	-	-	(390.171)	40.383.045
Due to related parties	11.821.285	-	-	-	(725.893)	11.095.392
	<u>102.564.853</u>	<u>89.719.379</u>	<u>220.813.876</u>	<u>38.710.804</u>	<u>(56.920.632)</u>	<u>394.888.280</u>
<u>31 December 2006</u>						
Borrowings	46.530.614	131.901.253	202.338.898	21.703.219	(51.639.179)	350.834.805
Trade payables	33.033.177	-	-	-	(299.324)	32.733.853
Due to related parties	30.947.892	-	-	-	(112.393)	30.835.499
	<u>110.511.683</u>	<u>131.901.253</u>	<u>202.338.898</u>	<u>21.703.219</u>	<u>(52.050.896)</u>	<u>414.404.157</u>