

T Ü R K İ Y E Ş İ Ş E V E C A M F A B R İ K A L A R I A . Ş .

**strong growth
and regional expansion..continues**



2005 ANNUAL REPORT



ŞİŞECAM

GROUP PROFILE

Şişecam is a Group primarily involved in the production of glass and chemicals. It is one the leading manufacturers specializing in all types of basic glass products such as flat glass, glassware, glass packaging, glass fiber as well as sodium and chromium chemicals.

Established in 1935 by İsbank upon a directive issued by Atatürk, the founder of modern Turkey, Şişecam celebrated the 70th anniversary of its operations in 2005. Şişecam initially set out to meet the requirements of the country as regards to glass products; in the 1960's, it turned its attention towards exports on the principle that "the whole world is our market". In the 1970's and 1980's the Group diversified its activities and expanded further into global markets.

Today, as a result of specialization and highly competitive operations, Şişecam has taken its place among the leading glass manufacturers in the world. The fact that it ranks between third and tenth position worldwide in terms of the size of its operations is a testimony of this achievement.

With a modern management style, strong adherence to the principles of industry and professionalism and its focus on the market and R&D activities, Şişecam is set to sustain strong growth in the future. The Group's vision, "to be the leading glass manufacturer in its vital geography" will be achieved on these foundations.

Recent investments abroad as well as initiatives taken in a number of other countries still in the planning and implementation stages, constitute strong steps towards realizing this vision. Current attempts especially with regard to joint ventures and strategic partnerships with other enterprises to further deepen roots in its fields of activity in today's globalizing world, should be perceived as stepping stones towards a prosperous future.

Shares of the Group companies Trakya Cam, Anadolu Cam, Denizli Cam, Soda Sanayii and Camiř Lojistik, as well as those of Şişecam are traded on the İstanbul Stock Exchange. One of the main targets of Şişecam is to have all its operations go public and thus expand the capital base of the Group.

Net Sales

USD 1.657 million

International Sales*

USD 744 million

Investments

USD 425 million

Equity

USD 1.588 million

Net Financial Debt

USD 269 million

EBITDA**

USD 410 million

Net Profit***

USD 113 million

* Includes exports and sales from production abroad.

** Before provision for impairment of investments.

*** Before provision for impairment of investments.
(After provision for impairment of investments is USD 4 million loss)



strong growth and regional expansion..continues

Şişecam has left behind the year 2005 again with results achieved as always expected and has continued its strong growth and regional expansion in its core activities. Its overall performance is among the best in the industry.

The significance of the vision “to be the leading manufacturer of its vital geography”, achieved step by step, is proven by each passing year. The Group is rapidly positioning itself in the fast growing markets of the region, balancing operations by spreading its activities to a wider geography and thus taking the opportunity to realize its full potential.

Şişecam is about to further increase the level of the internationalization of its operations. In fact, newly undertaken investments will increase regional glass production by 25% in 2006 alone. Şişecam has the determination and dynamism to sustain its high growth and superior performance in the years to come.

FLAT GLASS

Trakya Cam has displayed an upward trend due to strong economic growth resulting in robust target markets. The explosion in processed flat glass demand including automotive glass, has greatly increased the contribution of value added products. The float line in Bulgaria has been completed and started operation in February 2006. The 5th float line in Turkey is under construction in Bursa-Yenişehir and will be operational early in 2007.

GLASS PACKAGING

Anadolu Cam has taken important steps towards achieving its regional ambitions and rapid growth. Two big investments in Pokrov-Russia and Ufa-Bashkortostan have been finalized and started up, while a second furnace in Ufa is under construction. The new plant in Bursa-Yenişehir has started production at the beginning of 2006. The production capacity in Georgia will be doubled and new projects as well as acquisitions will further strengthen regional leadership.

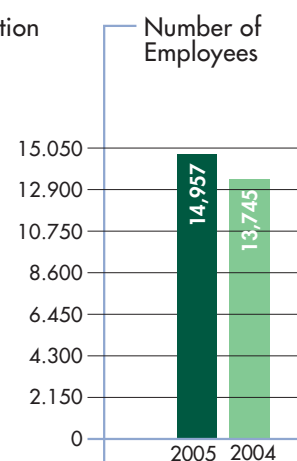
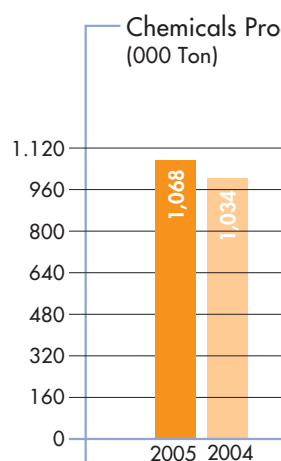
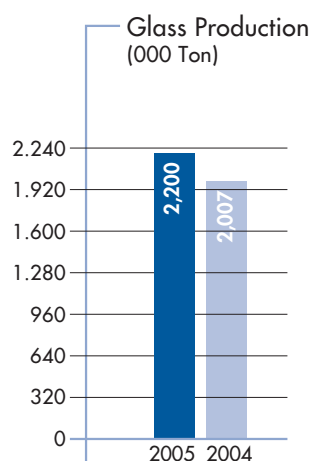
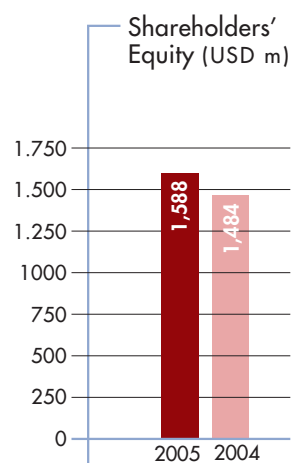
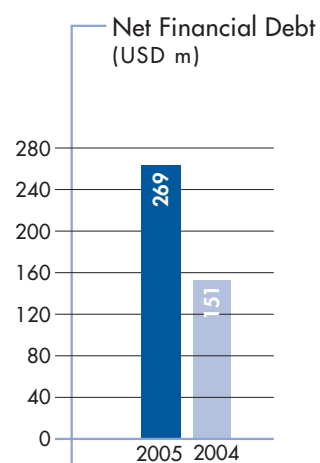
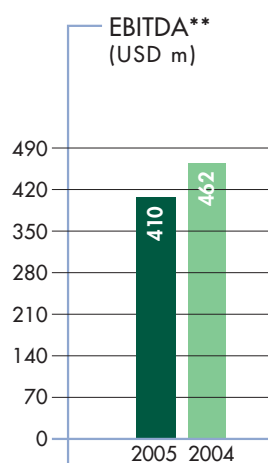
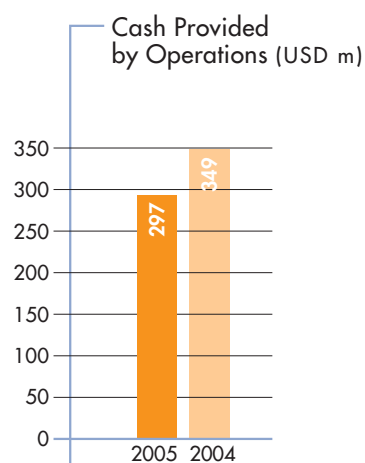
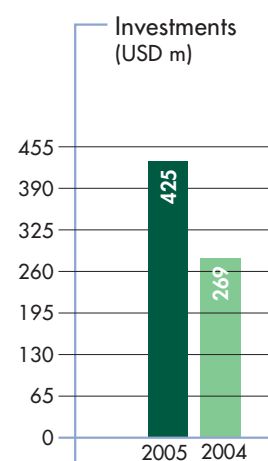
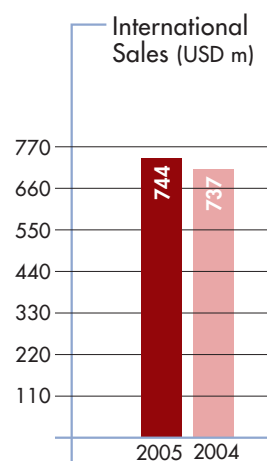
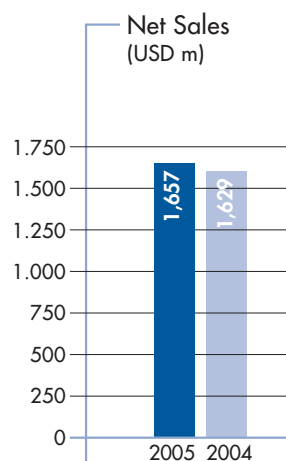
GLASSWARE

Paşabahçe Cam has increased production activities by expanding regionally. After the expansion of the Posuda operation in Russia, the starting of production in Bulgaria in July has further strengthened its position. Enhancing competitiveness and focusing on value added products are at the core of the re-structuring activities carried out. Strategic initiatives aiming for an increased presence in world markets are incessantly pursued.

CHEMICALS

Soda Sanayii has benefited from the positive global conjuncture and rise of prices in soda ash as well as chromium chemicals. The conversion to the use of natural gas and technological development in the Turkish operations has decreased costs, increasing performance. The cogeneration plant to start operating in late 2006 will further lower costs. Recently pursued acquisition activities will expand business volume and regional presence.

FINANCIAL HIGHLIGHTS



Summary Consolidated Balance Sheets

	2005		2004***	
	YTL m	USD m	YTL m	USD m
Current Assets	1,346	1,003	1,147	855
Non-Current Assets	2,840	2,117	2,593	1,932
Total Assets	4,186	3,120	3,740	2,787
Current Liabilities	661	493	527	393
Non-Current Liabilities	720	537	579	432
Minority Interest	674	502	642	478
Shareholders' Equity	2,131	1,588	1,992	1,484
Total Equity and Liabilities	4,186	3,120	3,740	2,787

Summary Consolidated Statements of Income

	2005		2004***	
	YTL m	USD m	YTL m	USD m
Sales Income (Net)	2,221	1,657	2,186	1,629
Cost of Sales	(1,500)	(1,119)	(1,472)	(1,097)
Gross Operating Profit	721	538	714	532
Operating Expenses	(431)	(322)	(400)	(298)
Net Operating Profit	290	216	314	234
Financial Expenses (Net)	(5)	(3)	(12)	(9)
Other Expenses (Net)	(169)	(126)	(25)	(19)
Operating Profit	116	87	277	206
Net Monetary Gain	-	-	68	51
Current Taxes	(68)	(51)	(63)	(47)
Deferred Tax (Charge) / Benefit	7	5	(34)	(25)
Profit Before Minority Interest	55	41	248	185
Minority Interest	(61)	(45)	(61)	(46)
Net Profit / (Loss) for the Period	(6)	(4)	187	139
Provision for Impairment of Investments*	157	117	-	-
Net Profit Before Provision for Impairment of Investments	151	113	187	139
Earnings Before Interest and Taxes (EBIT)**	290	216	314	234
Depreciation and Amortization	260	194	306	228
Earnings Before Interest, Taxes and Depreciation (EBITDA)**	550	410	620	462
Cash Provided by Operating Activities	399	297	469	349
Net Financial Debt	361	269	203	151

Financial Ratios

	2005	2004***
Current Assets / Current Liabilities	2.04	2.18
Total Liabilities / Total Assets	0.33	0.30
Total Liabilities / Shareholders' Equity	0.65	0.56
Net Financial Debt / Total Assets	0.09	0.05
Net Financial Debt / Shareholders' Equity	0.17	0.10
Gross Operating Profit / Net Sales	0.32	0.33
Net Operating Profit / Net Sales	0.13	0.14
EBITDA** / Net Sales	0.25	0.28
Net Financial Debt / EBITDA**	0.66	0.33

* Provision for impairment of investments (YTL 157 million, USD 117 million) is nonoperational and noncash item.

** Net operating profit has been used in the calculation of EBIT and EBITDA.

*** Amounts are expressed in terms of the purchasing power of the YTL at 31 December 2004.

TO OUR SHAREHOLDERS

Trakya Glass Bulgaria EAD - 2004



Trakya Glass Bulgaria EAD - 2005



Construction of the float and glassware plants were started in mid-2004 to turn Targovishte into a glass making hub. The plants have been commissioned and with other additional investment, it has been selected the largest greenfield investment in Bulgaria.



Ruscam Ufa - Bashkortostan - Russia



Ruscam Pokrovsky - Russia



Anadolu Cam, the largest glass packaging producer in Russia, has commissioned Ruscam Pokrovsky II and Ufa I furnaces and work has continued on the Ufa II furnace. Construction of a new plant in Bursa-Yenişehir, a new growth region in Turkey, has also been completed and the first furnace fired.

Anadolu Cam Yenişehir - Bursa



Cromital - Ostellato - Italy

Soda Sanayii, via a joint-venture with the Italian chromium chemicals producer Cromital, has further increased its international presence.

Şişecam has been the first industrial Group in Turkey to receive a credit line from the European Investment Bank (EIB). Collaborations with other respectable financial institutions have also been continued.



Şişecam is in the process of a strong growth and regional expansion with its four Businesses. The vision of regional leadership fully focused on, is being realized step by step.

Dear Shareholders,

We welcome you to this Annual General Meeting where we have come together to evaluate the 70th year of activities of our Group.

The Şişecam Group has left behind 70 years full of increasing excitement, motivation and trust in the future while continuously bettering its performance.

We are proud to announce that on the wave of a positive overall economic climate, the Group has been through another successful year both in Turkey and abroad and once again secured the steps of its strategic targets.

The Turkish economy has performed well in 2005 regarding macro-economical targets following the signing of a new stand-by agreement with the IMF. While inflation has been reduced with tight monetary and financial policy, growth has been satisfying. Our Group has greatly benefited from the expansion of demand in the construction, automotive, food and home appliance sectors and increased business volume.

Apart from the IMF stand-by agreement, the start of EU accession talks and the fact that some of the Maastricht criteria have already been met have promoted a favorable picture for the future of the Turkish economy. The increasing current account deficit, rising oil prices, inability to create jobs and the new competitive climate demanding sectoral transformations however, are indeed creating fragilities in the economy.

The agenda of the following period has thus become critical. The real agenda should be transforming the economy into a true and contemporary market economy. The necessary structural changes should be carried out, some refinement in macro-economical policy should

be done but the main path should not be abandoned. The EU perspective, advantages accruing from our regional position, stability together with the expansion of foreign trade and increasing foreign investment should create favorable circumstances.

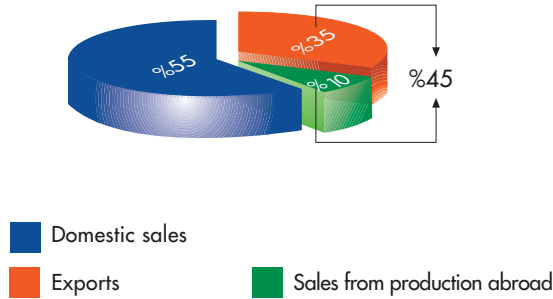
Though losing some of its acceleration, the global economy has also performed quite well in 2005 led by the US. The US economy however also suffers from a serious case of current account and budget deficit.

High petroleum prices, inflationist pressures and increasing interest rates in developed countries as well as political turmoil might trigger capital migration out of developing countries and create a bleak forecast. The stagnant conditions in the Euro region by itself is disquieting.

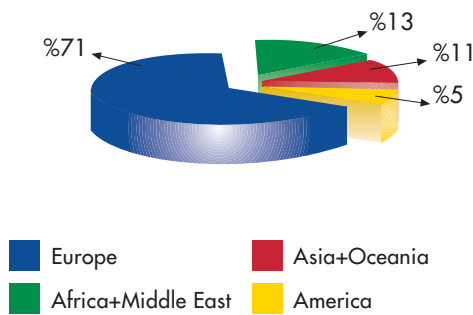
From the point of view of our Group however, it is encouraging that the East European countries where we have been concentrating our activities, have demonstrated high growth rates and the forecasts are also positive. This region offers us some significant opportunities and our vision of regional leadership becomes even more meaningful in this respect.

After mentioning this overall economical outlook, we would like to draw your attention to one important topic. Competition in the world is constantly increasing particularly with the entry of China into the picture. And global manufacturing industry seems to have entered a new stage of transformation. Our Group is taking all measures to adapt to these new circumstances and is holding onto its trust and determination in aptly increasing its competitive strength and performance.

Share of International Sales in Total Sales-2005



Regional Distribution of International Sales-2005



On the other hand, under domestic conditions, unfair practices are raising the costs of the manufacturing industry and the lifting of these barriers must be on the immediate agenda. Individual and organizations should work together to raise sensitivity in this respect.

As we mentioned above, our Group has completed the year 2005 with succesful results. Some short notes on consolidated results will be appropriate:

- Net sales have reached USD 1.7 billion. The increase in foreign sales is 22%.
- Glass production has increased by 10% to reach 2.2 million tons. Glass production abroad has increased even more by 18%.
- Investments have reached USD 425 million, increasing over 2004.
- Despite an ambitious investment program, net financial debt has remained around USD 269 million.
- Number of employees have reached 14,957, increasing by 9%, of which 22% is based abroad.
- The Group has made a provision of USD 117 million for impairment of investments, before which our net profit has been USD 113 million. USD 410 million earnings has been realized before interest, taxes, depreciation and amortization. Our financial structure and fund generating capability are as healthy as ever.

Our Businesses have made important advances in 2005 securing strategic targets for the future.

- **Trakya Cam** has realized its first flat glass investment abroad with a greenfield float line in Bulgaria, that was fired in February 2006. Work is continuing for accompanying glass processing and mirror lines. In Turkey the 5th and 6th float lines are planned for 2007 first and last quarters in Bursa-Yenişehir. Once again a coating line for high performance glazing will be set-up alongside the glass production lines.

The prospects for economic growth are very favorable for Eastern Europe and the region overall. Our focus on local production and exports in this region is creating many opportunities for the Group.

- **Paşabahçe Cam** has successfully started its plant in Bulgaria in July 2005 after its already operational manufacturing investment in the Russian Federation. New initiatives will follow this step in the strategic search along our global ambition.

- **Anadolu Cam** has become the established market leader in Russian Federation after the third plant in Bashkortostan-Ufa. While a new plant has been commissioned in Bursa-Yenişehir, an expansion investment has also commenced in Georgia that will double the capacity at Mina.

- **Soda Sanayii** that has shed significant cost burden via its transition to natural gas, will further turn this to advantage with the co-generation plant and expansion investments to be started up in September 2006. The Cromital joint-venture has enhanced foreign market penetration and initiatives to expand in the region are under way.

As can be understood, the Şişecam Group is in the throes of a strong growth and regional expansion phase. The vision of becoming the leading producer of our vital geography is now in sharp focus. The reality is that this vision is already at hand. Our aim is to strengthen this position in more markets, more products and higher market shares.

In view of this aim, we are planning to undertake USD 533 million capital investment in 2006. Only in the coming year our regional glass production is expected to grow by 25%. The 3 million tons of glass output annually is definitely in sight.

Besides organic growth, acquisitions will also constitute an important tool for growth. We would like to point out that our region provides a variety

of possibilities for action and collaboration and several of these are under very serious scrutiny.

Şişecam is as always, accelerating towards new and bright horizons. Therefore we will again refer to a reminder, we repeat every year. Shareholders should heighten their expectations of Şişecam and get used to thinking big. Growing solidly from where those who have brought it here, in other words those who have given life to glass, the Group envisions a future that promises utmost shareholder value.

As we finish our words, we would like to extend our hearty thanks to all those who have helped create this bright picture, especially our shareholders, our employees, our customers and work partners.



H. Ersin Özince
Chairman



A. Doğan Arıkan
President

BOARD OF DIRECTORS



H. Ersin Özince
Chairman



H. Arslan Sarsar
Vice Chairman



Alparslan Akıncı
Member



A. Doğan Arıkan
Member - President



Y. Ziya Toprak
Member



Özcan Türkakın
Member



İnci Yılmaz
Member

The Board of Directors have been assigned for the period 19.4.2005-19.4.2008 and their authority has been set out by Turkish Commercial Code and Company Articles of Association (AoA).

H. Ersin Özince, 52, graduated from METU Faculty of Administrative Sciences, Department of Management. He started his working life in the Audit Dept. of İşbank in 1976. After various management positions and Vice Presidency, he has been CEO of İşbank since 1998.

Alparslan Akıncı, 72, graduated from ITU Mechanical Engineering Dept. to start working in the Çatalağzı power plant. He started working at the Çayırova Cam Sanayii A.Ş. in 1961, taking up various positions. He retired from the Executive Vice Presidency of the Flat Glass Business in 1998.

Y. Ziya Toprak, 62, graduated from the İstanbul Academy of Economical and Administrative Sciences and started working in the Audit Department of İşbank. After taking up various positions he became General Manager at Yatırım Finansman Menkul Değerler A.Ş. during 1997-1999, and Vice President at İşbank during 2000-2003 before retiring in 2004.

İnci Yılmaz, 47, graduated from Ankara Economics and Business Sciences Academy, started work in İşbank, Training Department moving on to the Participations Department she worked as Asst. Manager and she has been Group Manager in the same unit since 2005.

H. Arslan Sarsar, 62, graduated from the Ankara University, Faculty of Political Science, Finance and Economics Department and started work as trainee associate auditor in the İşbank Audit Department in 1970. He has taken up various management positions, branch and regional departments. He has been selected as a board member at İşbank in 1998 and retired in 2005.

A. Doğan Arıkan, 56, graduated from METU Management Dept. and started work at the State Meteorology Inst. in 1972. After taking up various management posts in İşbank between 1973-1987, he worked as General Manager in MEPA and İDÇ during 1987 and 2000. He is President of Şişecam since 2000.

Özcan Türkakın, 47, graduated from Boğaziçi University, Administrative Sciences Faculty, Economics Department and went on to receive a Masters degree there. He started work as associate economics specialist in the İşbank Economic Research and Planning Department in 1984, worked at various posts and İş Yatırım ve Menkul Değerler A.Ş. He has been at the position Vice President, İşbank, since 2002.

MANAGEMENT COMMITTEE



A. Doğan Arıkan
President



Alev Yaraman
Executive Vice President
Flat Glass



Gülsüm Azeri
Executive Vice President
Glassware



Teoman Yenigün
Executive Vice President
Glass Packaging



Dr. Ateş Kut
Executive Vice President
Chemicals



Dr. Türkay Ergun
Vice President
Treasury



Ahmet F. Polatkan
Vice President
Financial Control



Mehmet Kara
Vice President
Corporate Planning



Dr. Yıldırım Teoman
Vice President
Research & Technology



Dr. Rüştü Bozkurt
Secretary General

A. Doğan Arıkan, 56, graduated from METU Management Dept. and started work at the State Meteorology Inst. in 1972. After taking up various management posts in İşbank between 1973-1987, he worked as General Manager in MEPA and İDÇ during 1987 and 2000. He is President of Şişecam since 2000.

Gülsüm Azeri, 54, graduated from Boğaziçi University Chemical Engineering Dept., going on to receive a Masters in Industrial Engineering there. She started work at Çukurova Holding in 1978 and joined Şişecam in 1981, taking up various positions. She is the Exec. Vice President of the Glassware Business since 1998.

Dr. Ateş Kut, 56, graduated from the Ankara University Chemical Engineering Dept. where he also obtained his Ph.D. He started work in the Atomic Energy Commission after which he entered Şişecam in 1980, taking up various posts. He has been the Exec. Vice President of the Chemicals Business since 1998.

Ahmet F. Polatkan, 58, is a graduate of the Ankara Economical and Business Sciences Academy, and has started his working life in 1965. Between 1973-1978 he worked at the Finance Ministry as a tax inspector and joined Şişecam in 1978, taking up various posts. Since 1993, he has been working as Vice President - Finance .

Dr. Yıldırım Teoman, 51, obtained his B.Sc. in Chemical Engineering from ITU, and his Ph.D. from Birmingham University, UK. He started work as an academic in Birmingham University in 1979, receiving Associate Professor title from ITU Basic Processes and Thermodynamics Dept. He started working in Şişecam in 1983, taking up various positions. Since 1999, he is Vice President - Research and Technology.

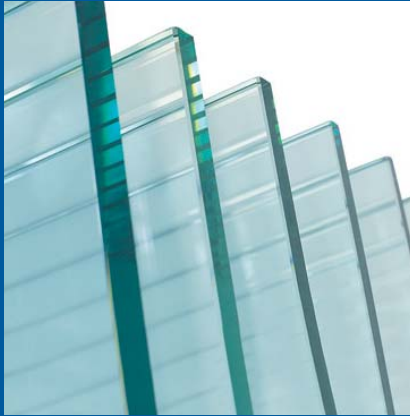
Alev Yaraman, 58, graduated from METU Chemistry Dept., going on to obtain her M.Sc. from Sheffield University Glass Technology Dept. After starting work at Şişecam in 1970, and taking up various positions, she became Exec. Vice President of the Flat Glass Business in 1998.

Teoman Yenigün, 53, graduated from Boğaziçi University Mechanical Engineering Dept. He started work in the Şişecam Group in 1975, taking up various posts. He is Exec. Vice President of Glass Packaging Business since 1998.

Dr. Türkay Ergun, 68, graduated from Cologne University Business Management Dept. also receiving his Ph.D. degree. Starting work at Şişecam in 1973, he has taken up various positions and has worked as Vice President - Treasury since 1993.

Mehmet Kara, 55, received his B.A. degree from Boğaziçi University Economics Dept., going on to obtain his Masters from Cleveland State University. He started working in Şişecam in 1976, taking up various posts then became Vice President - Corporate Planning in 1994.

Dr. Rüştü Bozkurt, 60, graduated from the Bursa Educational Institute Literature Dept., and Eskişehir Economical and Business Sciences Academy, Management - Accounting Dept., where he also received a Ph.D. degree. He started his working life as a teacher and worked in various organizations. Starting to work in Şişecam in 1982, and taking up various posts, he became Secretary General in 1992.



Work to add value to flat glass via new functions has continued unabated through research and development.



Mevlana Center - Konya



TED College - Ankara



Busworld - Belgium



Intersolar - Germany



UIA - Istanbul

Attending sectoral fairs and meetings in national and international settings has always been a very good way of strengthening customer ties, launching new products and following developments.



5: Float Yenisehir - Bursa

Construction on the 5th flat glass line in Turkey started at Bursa-Yenisehir.

The increasing demand for better performance value added glass in the automotive industry has helped Trakya Otocam secure its place in the global supply chain.

YOUR GLOBAL PARTNER in AUTOMOTIVE GLAZING

Trakya Otocam is the market leader in the design and manufacturing of automotive glazing in Turkey, dedicated to serving the needs of its global customers in different locations. The product range includes aftermarket, security and bus windshields, heated, deep curved windshields and backlites, laminated sidelites, double glazed bus sidelites, encapsulated glass, bullet proof glass.

With its cutting-edge technology and innovative design capabilities, Trakya Otocam is committed to providing products of superior quality in a cost-effective manner.



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Safe journey!



Trakya Cam. Safety, quality and technology in automotive glazing.

TRAKYA CAM | TRAKYA OTOCAM | TRAKYA YENİŞEHİR | TRAKYA GLASS BULGARIA

Flat Glass Business Combined Financial Highlights*

USD m	2005	2004
Net Sales	437	423
International Sales	99	95
Gross Operating Profit	163	164
Net Operating Profit	92	97
Net Profit	63	78
EBITDA	138	140
Net Financial Debt	133	6
Shareholders' Equity	802	768
Total Assets	1,211	1,086
Investments	168	76
Number of Employees	2,341	2,111

* Includes Çayırova Cam in addition to Trakya Cam.

Trakya Cam Consolidated Financial Highlights*

USD m	2005	2004
Net Sales	437	419
International Sales	99	90
Gross Operating Profit	161	157
Net Operating Profit	92	97
Net Profit	62	77
EBITDA	138	138
Net Financial Debt	96	13
Shareholders' Equity	646	612
Total Assets	969	894
Investments	111	76
Number of Employees	2,340	2,071

* Includes Trakya Cam, Trakya Cam Investment, Trakya Yenisehir and Trakya Glass Bulgaria.

With continuing investments, the Business has consolidated its strong position in the domestic market as well as taking important steps on the way to regional leadership.

Flat glass continues to remain a significant contributor to national economies via its input into the important industrial sub-sectors but also continuously extends its applications in new fields fueling strong growth.

World annual demand for flat glass is growing by 3-4% on the average, whereas in developing countries like Turkey this figure is around 5-10%. The demand is concentrated up to 70% in Europe, North America and China.

Production is also concentrated in these regions while Asia-Pacific produces up to 50% of world flat glass. China is where both production capacity and consumption are accelerating fastest. The high consumption rates in developing countries as well as the demand for value added flat glass products in developed countries is contributing to the dynamism of the flat glass market.

The vision of the Business is to be the domestic and regional leader. It is placed in the top 9 global companies and has 3% share in the world. In Europe it is placed in the top 5 companies with 8% share. The Business sustains its vision and competitive position via its human resources, production and market organization, increase in sales both inside and outside the country, financial prowess as well as important new investment projects.

The market leader in Turkey, **Trakya Cam** continues production in 10 plants at 3 different locations. This leadership is maintained by price, quality and variety of the products as well as service perfection that Lüleburgaz and Mersin Float, Trakya Automotive Glass, Trakya Glass Processing and Coating, Trakya Cam Mirror and Lamination plants are able to offer to the markets.

Flat glass sales in Turkey have increased in 2005 and Trakya Cam has benefited from this increase, maintaining its market leadership. The growth in sales corresponds to overall economic growth, but especially to the dynamism in the housing sector, increases in construction licences, the major leaps, both domestic and international, undertaken by the automotive, home appliances and furniture industries.

The growth of the housing sector has registered a remarkable 19.7%, best among all sectors, in the first 9 months of 2005, surpassing for the first time the overall growth of the economy in the last 10 years. The forecasts remain optimistic for the near future with the new legislation on mortgage for home finance expected to further feed the positive trend.

The Business regards 2006 as the year for important new steps that have started with the operation of the Bulgarian float plant established by **Trakya Glass Bulgaria EAD**, in



High performance glazings have become one of the most critical elements of contemporary architecture as energy efficiency, the environment and esthetics have come to the fore.



Targovishte. This investment happens to be the largest greenfield foreign direct investment in Bulgaria and the Balkan basin and aims at supplying both the Bulgarian domestic market and the Balkan market with quality flat glass. The 225,000 tons/year, USD 120 million float plant has come into operation in the first quarter of 2006.

Next to the float plant, work has started on a glass processing line together with a mirror production line at a total of USD 25 million. The 2.5 million m²/year capacity mirror line and 2.3 million m²/year glass tempering line will be ready by the end of 2006.

Trakya Otocam has completed an expansion and modernization investment worth USD 36 million at the end of 2005 and thereby increased its capacity. The plant has also completed a USD 7 million "Commercial Vehicle Glass Line" project which is now fully operational. Considering developments in the automotive sector, the Business has also increased efforts for realizing its regional strategic development projects.

Trakya Otocam has increased its domestic and foreign sales in 2005 sustaining its leadership in the market. Locally produced automotive sales in 2005 has increased by 2% and production by 5% compared to 2004. This

has happened despite the contraction of domestic sales compensated by the 9.7% increase in exports. Turkey has become the 7th largest and globally the 17th largest automotive producer in 2005. Trakya Otocam has supplied automotive glass to such leading clients as Ford, Renault, Toyota, Hyundai, Fiat and Mercedes during the year.

Turkey is expected to become one of the major automotive and parts industry production hubs in the next 25 years. The industry's growth has become increasingly independent of domestic sales, powered by strong exports, a trend which is expected to continue.

Trakya Otocam will be closely following the developments in the sector with new investments, to remain the prominent producer of automotive glass in all new car projects.

Trakya Cam Processing plant has supplied the refrigerator, oven, shower cabin, solar collector, furniture and door sub-sectors with tempered glass and has increased its domestic and foreign market share in 2005 preserving its dependable supplier position.

Particularly in the solar collector market, strong growth of the last 3 years is expected to continue. Mirror and laminated glass sales have also expanded with the dynamism experienced in the furniture and construction sectors.



Brand consciousness and promotion have continued in product families that have developed and diversified continuously.



Continuous differentiation has accompanied brand promotion in automotive glass.

Trakya Otocam, after major investments for production capacity, is better positioned as a strong supplier to the automotive industry.

Overall economic growth, developments in the automotive and housing sectors as well as the Business's vision have necessitated the construction of a new float plant in Bursa-Yenişehir, work on which has commenced. The USD 120 million investment with a capacity for 225,000 tons/year clear float glass is planned to be completed and operational by the first half of 2007. The USD 39 million coating line is planned to be constructed by July 2007, next to the glass plant in Yenişehir, in collaboration with Interpane.

The Flat Glass Business has continued technology and new product development activities in 2005, commercializing a reverse heatable glass for industrial type cooling units. A chrome coated mirror product for the automotive sector is being developed and is in the trial production phase.

The use of insulating glazing units have become compulsory with the coming into force of TS 825, Heat Insulation Standard for New Buildings. Efforts to improve this standard in line with EU harmonization is proceeding. Trakya Cam has actively participated in these efforts, succeeding at the insertion of higher insulation standards for buildings. The new legislation is expected to be in force within the next few months.

With stronger standards, better enforcement, economic growth and the increase of per capita incomes, major increases in the consumption of energy saving high performance insulation glazing is foreseen. Consequently, the use of Şişecam's registered trademark products in this field, Isıcam Konfor and Isıcam-S is also expected to rise in the coming years.

A large number of trade fairs and sectoral meetings have been attended in 2005, where demonstration of new coatings, product launches and performance tests have accompanied our stands.

Trakya Cam is an active member of the insulating industries sector organization İZODER, and supports all national activities raising energy efficiency consciousness through better insulation. The campaign "insulation is a profitable investment" is avidly supported in this respect.

The Flat Glass Business, is in a good position to achieve its vision of remaining the leading supplier domestically and regionally with its innovative steps and investments both locally and internationally.



Promotion kits have allowed the public to keep informed on the ever diversifying, developing flat glass spectrum in pace with contemporary lifestyles and trends.



High quality, good design and esthetical value have resulted in large selection for the consumers.

The Business continues to be the center of attraction in the trade fairs and sectoral meetings it attends.



Chicago - USA



Frankfurt - Germany



Züchex Fair - İstanbul



EXOTİKA



EXOTİKA



VIOLETT

The attraction of the tropical climate, harmony of violet color with others and an enlivening folkloric palette have all met the public through Paşabahçe collections.

Glassware Business Combined Financial Highlights*

USD m	2005	2004
Net Sales	499	506
International Sales	277	290
Gross Operating Profit	179	180
Net Operating Profit	43	46
Net Profit	28	38
EBITDA	101	104
Net Financial Debt	32	38
Shareholders' Equity	592	584
Total Assets	894	874
Investments	27	38
Number of Employees	5,594	5,135

* Includes Denizli Cam, Camış Ambalaj, Paşabahçe Mağazaları in addition to Paşabahçe Cam.

Paşabahçe Cam Consolidated Financial Highlights*

USD m	2005	2004
Net Sales	406	431
International Sales	257	270
Gross Operating Profit	135	134
Net Operating Profit	31	35
Net Profit	9	21
EBITDA	84	83
Net Financial Debt	105	58
Shareholders' Equity	358	349
Total Assets	698	629
Investments	20	35
Number of Employees	4,017	3,569

* Includes Paşabahçe Cam, Paşabahçe Eskişehir, Paşabahçe Cam Investment, Posuda Ltd. and Trakya Glass Bulgaria.

The Business has further strengthened its position in the sector and become more competitive via its investments in the Russian Federation as well as Bulgaria.

Globally, the year 2005 has been a year in which particularly developed glassware markets such as the USA, Japan and EU have stagnated due to falling consumer spending.

On the other hand, growth was experienced in the new EU members in East Europe and the Balkans while Russian and Middle Eastern markets, benefiting from increases in crude prices, have witnessed increased demand for glassware.

Major developments regarding both supply and demand are taking place mostly in Eastern Europe, Middle East and Asia. In these regions where production costs are low and market growth perspectives are bright, the global players are positioning themselves by acquisitions and new investments while local competitors are developing. In Western Europe and the USA, market stagnation and increasing competition are driving capacity rationalization moves in the sector.

Large multinational retailing firms are continuing to increase market share in the homeware sector globally while specialty shops are attempting to compete by product differentiation via value added strategies. In the service sub-sector, growth is maintained in the developed and developing countries with product diversification.

Increasing energy prices, price wars and stiff competition have further squeezed the profit margins in 2005. This has resulted in low performance and restructuring in the sector.

Paşabahçe Cam has proceeded with its strategy of producing and growing in regions with strong market potential and low production costs. In this respect, the production operation in the Russian Federation has reached the full Paşabahçe product mix with Paşabahçe quality, capturing leadership in the market in 2005.

The high capacity plant in Bulgaria has become operational in a matter of 12 months. Production from this plant has helped to increase sales to the Eastern European market as well as Europe in general.

Paşabahçe Cam continues its claim to be a strong technology developer regarding glassware production and high efficiency, low cost new generation machinery have started operating in Turkish plants in 2005.

Besides glass production technology, in-house technology development in printing, coloring and accessories has been stepped up, also in collaboration with specialist firms.



Diversification has continued in automatic glassware products with modern and novel designs.



One of the more important Paşabahçe projects "Supply Chain" has come to its final phase and entered live application trials. With this project, higher customer satisfaction and increase in sales are aimed through optimization in product planning and the logistics chain, cost reduction and higher service quality as well as speed.

Glassware production has grown by 8.5% compared to 2004, accompanied by capacity increases and efficiency. Market share in developed markets has grown and efforts to gain significant market share in developing markets has given fruit in 2005, thus increasing total glassware sales by 7%.

The combined growth effect of new capacities in the Russian Federation and Bulgaria to total glassware sales is expected to be 11% in 2006. New processes and products will also bear their mark on this increase.

The Business is targeting a multi-focused production strategy and regional structuring globally to achieve its vision to become the worlds strongest glassware supplier. Measures taken to this end in 2006 will be important in realizing this international target of Paşabahçe Cam.

Investments in Turkey will continue with a brand new production plant for a product with high performance

and esthetic appeal. This crystalline quality product will compete in both homeware and service sub-segments fully complementing the product range.

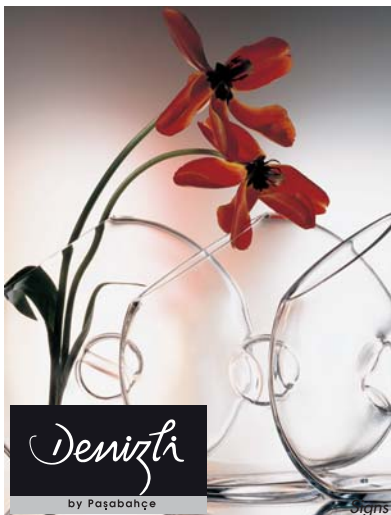
Work on the second production plant in the Russian Federation will be started responding to the high growth potential there, increasing market share. Important new advances will be undertaken in the region in 2006 in line with the global vision of the Business.

Competing in the high-end market based on esthetic appeal and creativity, with hand-made decorative crystal ware, **Denizli Cam** has fared quite well in 2005.

The Business is developing the Denizli brand with a combination of glass and finish quality, fashionable ware reflected by a rich palette of colors and styles. Denizli Cam aims at reaching the consumers via increasing its service quality to specialized wholesale chains.

Paşabahçe Mağazaları have also grown in the retail sector giving support to the Paşabahçe brand and image in 2005. Paşabahçe Life stores concept has caught hold of all fashionable trends that are currently "in".

The enhanced complete service performance, product palette has made this specialty shop concept a leader in



The "Denizli" brand has been carried to the fore with the strategy of added value and brand consciousness.



In the automatic and hand-made glass segments, design and product development have continued unabated, creating new trends and enlivening kitchens and dinner tables.

its genre and won hearts and minds in the public. Theme stands of hand-made products particularly have gained high esteem in the eyes of the consumers.

Design, production-decoration capabilities have resulted in the "History-Culture-Glass" collection and the Paşabahçe Boutique stores have been frequented by collectors. The new collection with the theme "Patience and Reconciliation" has been shown to the public in exhibitions in Ankara and İstanbul during fall and has been highly acclaimed.

The Moscow Paşabahçe, the first shop abroad, will be followed up by a new store in Sofia and expansion in Moscow. The Turkish chain will be extended by 6 new shops.

Camiş Ambalaj is one of the leading paper-cardboard packaging producers in the country. The sales of offset and corrugated packaging have increased by 4% in 2005.

The production mix is composed of offset printed cardboard and laminated consumer packaging, flexo printed corrugated consumer and handling packaging, display and promotion material. The high quality packaging line investment aiming to diversify the product



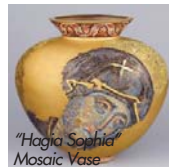
The high quality rotaflex packaging from Camiş Ambalaj has met differing needs of customers with its attractiveness.

range has been completed and commenced production in January 2005.

Camiş Ambalaj is planning investing in a corrugated line in Tuzla plant in 2006, and also to double the capacity of the high quality flexo line. The company which is presently only producing in Turkey, is planning to start a packaging line in the Russian Federation at the beginning of 2007, following the expansion of Paşabahçe Cam there and also to take advantage of the lack of supply of laminated offset boxes. Thus specialization in laminated offset and high quality flexo packaging will be continued.



The "Patience and Reconciliation" concept has been added to the History/Culture/Glass Collection at Paşabahçe Stores, contributing to ability of different cultures to co-exist and live together on the same land.



"Hagia Sophia Mosaic Vase"



"Övgüler" Candlestick



"Peşkir" Gondola



"Madalyonlu" Cup



"Peşkir" Cube



"Koruyan" Bowl



"Rumeli" Candleholder



"Hayat Ağacı" Drop Vase

GLASS PACKAGING



Product development with the design, colors and decoration required by the markets have continued in environmentally friendly glass packaging.



In sectoral trade fairs attended an expanding palette of products are promoted while at the same time market relationships are established.



The Glass Packaging Design Center was set up to increase efficiency in new product development. High tech design technologies are used with the participation of customers to translate concepts into products.

Glass Packaging Business Combined Financial Highlights*

USD m	2005	2004
Net Sales	447	412
International Sales	150	141
Gross Operating Profit	125	126
Net Operating Profit	69	74
Net Profit	42	59
EBITDA	121	164
Net Financial Debt	108	19
Shareholders' Equity	608	561
Total Assets	957	748
Investments	163	136
Number of Employees	4,267	3,894

* Includes Ferro Döküm in addition to Anadolu Cam.

Anadolu Cam Consolidated Financial Highlights*

USD m	2005	2004
Net Sales	398	361
International Sales	133	121
Gross Operating Profit	110	111
Net Operating Profit	63	67
Net Profit	40	46
EBITDA	116	116
Net Financial Debt	122	36
Shareholders' Equity	450	396
Total Assets	777	596
Investments	160	93
Number of Employees	3,957	3,580

* Includes Anadolu Cam, Mina, Ruscam Gorohovets, Ruscam Pokrovsky, Ruscam Ufa, Anadolu Cam Investment, Balsand, Anadolu Cam Yenisehir, Omco- Istanbul, Balkum and Form Mat.

The Business is fast attaining its target of becoming a regional power with the identity of an international player within its vital geography.

Although glass packaging continues to maintain its position in quality new generation food and beverage packaging, strong competition from alternative packaging materials continues unabated. Glass packaging consumption in Turkey is very low, around 7-8 kg per capita, compared to 45 kg per capita in EU-15 and 38 kg per capita in Europe overall, creating a large potential for expansion. The take-over and acquisitions in the sector as well as increasing investment in the food industry should also result in increased consumption levels.

Domestic production operations have been carried out under the **Anadolu Cam** umbrella with high-tech lines in Topkapı, Mersin and Çayırova plants with a total of 8 furnaces and 30 production lines. The product mix includes containers for alcoholic and non-alcoholic beverages, food and pharmaceuticals.

Advanced technologies are used to produce light weight containers. On line coloring is possible giving flexibility to the product mix.

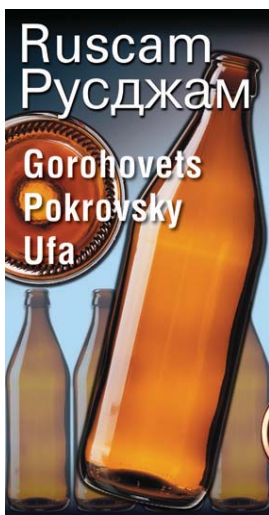
After the 500,000 tons sales/year mark was passed in 2004, the year 2005 saw 570,000 tons sales/year passed by Anadolu Cam through its domestic sales only. This figure is over the 1 million tons mark together with the foreign operations in Mina-Georgia plant, and

3 furnaces in Ruscam Gorohovets plant and Ruscam Pokrovsky plant.

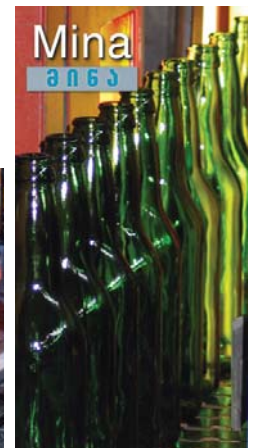
The domestic glass packaging market is expanding via the foods sector. The privatization of Tekel, the state alcohol monopoly, has resulted in enlivening of the alcoholic spirits sub-sector with secondary processing like color printing and sand-decoration effects becoming important. The largest segment in sales is the mineral water segment, per capita consumption levels of which are very low compared to Europe. More effort will be spent on advertisement and promotion, close contact with mineral water firms and organizations (MASUDER), as well as universities to increase per capita consumption. In the beer sector, value added products will be marketed supporting new brand and product launches.

Marketing strategies will concentrate on value added new product design and decoration that can satisfy design and quality expectations of domestic and international customers. The Glass Packaging Design Center set up at the end of 2005 will work together with customers for rapid, value added solutions to design problems.

Domestic capacity expansion to satisfy domestic demand growth led by the mineral water and beer sectors has come on line at the beginning of 2006. The 120,000 tons/year



The Business's three plants in Russia and one plant in Georgia are the largest suppliers of high quality, special design bottles for the alcoholic beverages sector.



Anadolu Cam Yenişehir plant, positioned suitably for markets and raw material logistics in the newly established Bursa Yenişehir Organized Industrial Zone, will replace the Çayırova plant that is at the end of its economic life and will be shut down in March 2006.

The Glass Packaging Business has defined its operational geography as the Russian Federation, Balkans, Turkic Republics, Eastern Europe and Middle East, within which it has the ambition to be the leading glass packaging producer. Thus, after the Russian Federation and Georgia, the Balkan region, Eastern Europe and the Middle East will receive special attention, through potential collaborations and joint-venture opportunities.

The first investment abroad by the Business, **Mina** plant in Georgia has completed the year 2005 with 52,000 tons of production. The operation meets the Georgian market's requirements in the beer, mineral water fully, and wine and non-alcoholic beverages partially. The growth in demand will be met by a new furnace at Mina to start production mid-2006 and produce mineral water bottles mostly. The older one of the 2 furnaces will cease production with the operation of the new furnace and production capacity will increase to 100,000 tons/year.

The Russian Federation holds a very special place in the pertinent geography due to its history, size and potential and dynamism. The Business's growth strategy in this market is timely growth, market development to become the largest supplier. Consequently, investments will continue particularly in regions where international beer producers are concentrated.

Operating under the **Ruscam** name in the Russian Federation, the Glass Packaging Business presently has 3 glass packaging plants and a sand mine. Being the first investment in the Russian Federation, **Ruscam-Gorohovets**, alone produces more than of 1 billion units/year.

Another region in the Russian Federation growing rapidly is the Vologda region in which the **Ruscam-Pokrovsky** plant has built a second furnace in August 2005 to meet the increasing beer bottle demand.

On the other hand, **Ruscam-Ufa** has started production with one furnace in November 2005 in the city of Ufa in the Republic of Bashkortostan. Another furnace of similar size will come into operation in the first half of 2006.

Balkum Sand, a joint-venture producing a total of 800,000 tons/year of stable, good quality and economic sand of which 350,000 tons/year is for glass packaging production.



The Coca Cola bottles designed and fitted by famous Turkish fashion designers in the framework of the "Coca Cola Bottles from Life" have become collectors items.



As demand for non-returnable green mineral water bottles have increased, sales have hit the 1.2 billion mark.



Rising competition in the sector has pushed the brand conscious producer to differentiating packaging, labelling and volume as well as taste.

The most important point of the agenda of the following period for Glass Packaging will be rapid growth via organic expansion as well as acquisitions.

Together with the expansion projects in 2006, the Business will be producing 740,000 tons/year glass packaging in the Russian Federation, and with the completion of domestic expansion and new furnace in Mina-Georgia, a grand total of 1.5 million tons/year glass packaging production capacity will be reached.

In addition to growth investments, modernization continues to be important and have been carried out at Anadolu Cam's domestic plants throughout 2005. The capacity of the 2nd furnace in Topkapı was increased by 20,000 tons/year during the cold repair at the beginning of 2005 and for the first time 3-gob machines have been placed on two lines. The Topkapı 4th furnace was given an extension of life with a partial repair.

The production change and run-in times have been shortened by 16% and 20% respectively in the Mersin plant. The plant has received the ISO 14001 Environmental Management Systems Certificate in 2006 as well as saving 4.5 million USD via cost control projects in 2005.

New product development continues to satisfy demands by national and international customers. It is expected that more than 400 new bottle designs and over 100 new mold designs will be prepared in 2006.

The Business's activities in the iron casting field are carried out by **Ferro Döküm** which predominantly serves the automotive sector. The dynamism in the automotive industry that started in 2003, has continued in 2005. Production in castings has increased by 30% compared to 2003 to 38,000 tons/year in 2005. 45% of sales has been directed to the domestic market while the rest is either directly or indirectly linked to exports. Maintenance and development investment will continue in 2006, while focusing on cost reduction in energy, materials, workforce and waste.

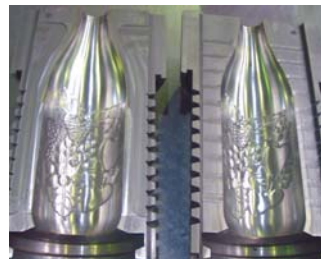
The 50:50 joint venture between Anadolu Cam and OMCO International NV based in Belgium, **OMCO İstanbul**, operating in the field of glass packaging and glassware molds, has modernized its array of CNC machines and increased production by 30%. As efficiencies have risen, sales/workforce ratios have improved by 20% compared to 2004. The company will continue focusing on investments and international markets in the coming year.

The Glass Packaging Business, fast becoming an international entity, is developing its human resources for improved cultural adaptation, thus strengthening its identity as a powerful regional actor.



The campaign to capitalize on the image of glass packaging in the eye of the customer as a healthy and appropriate packaging material, has been continued in various media.

Omco-İstanbul has continued targeting to become an internationally sought after supplier of high quality, low cost glass packaging and glassware moulds manufacturer.



Ferro Döküm has continued working with multinational automotive firms and exported most of its production.



Work to reduce costs, increase capacity and develop new processes and products have continued incessantly in all product families, without giving any concessions from our environmental policies.



Maden Fuarı - İstanbul



All China- Shanghai



Eurotier- Germany



JEC - France

Product launches and promotion activities have accompanied intense efforts at market expansion at all trade fairs and sectoral meetings attended nationally and internationally.

The Development Unit of the Business has won the the first ever Şişecam Technology Award.



Chemicals Business Combined Financial Highlights*		
USD m	2005	2004
Net Sales	440	428
International Sales	218	211
Gross Operating Profit	68	58
Net Operating Profit	10	1
Net Profit	31	15
EBITDA	45	37
Net Financial Debt	(50)	(24)
Shareholders' Equity	584	558
Total Assets	786	736
Investments	66	11
Number of Employees	2,310	2,158

* Includes Cam Elyaf, Camiř Madencilik, Madencilik San., Camiř Elektrik, Camiř Lojistik in addition to Soda Sanayii.

Soda Sanayii Consolidated Financial Highlights*		
USD m	2005	2004
Net Sales	250	229
International Sales	169	158
Gross Operating Profit	43	24
Net Operating Profit	9	(10)
Net Profit	10	1
EBITDA	28	10
Net Financial Debt	(32)	(10)
Shareholders' Equity	273	262
Total Assets	369	340
Investments	19	5
Number of Employees	988	930

* Includes Soda Sanayii, Şişecam Bulgaria and Oxyvit Kimya.

The transition to natural gas at Soda Sanayii has resulted in a cost reduction of 20% which will be furthered via the upcoming co-generation plant.

Soda ash and chromium chemicals are the two leading product families within the activities of the Chemicals Business.

The year 2005 has been a positive year for the global soda ash market. The withdrawal of technologically obsolete soda ash plants has had a positive impact on the supply-demand balance and overall, demand for soda ash has grown by 3-3.5% annually. In our region on the other hand, rapid growth in target sectors and particularly in the glass sector, soda ash demand has increased significantly over global averages. This development has brought forward new opportunities and strategic initiatives.

Soda ash, heavy as well as light, refined sodium bicarbonate and sodium silicate, are used as inputs to many national and international industrial sectors as glass, textiles, detergents, chemicals, food and animal feed. These products are supplied by the **Soda Sanayii Mersin Soda Plant** as well as the production joint-venture with Solvay, Solvay Sodi plant in Bulgaria.

Although the Mersin Soda plant increases productivity continuously via technological development, fast growth of the regional soda demand has rendered these efforts insufficient. For this reason, a 15% capacity increasing investment will be completed in the second half of 2006.

The benefit drawn from focusing production cost reductions has become obvious in 2005 and Mersin Soda plant has started using natural gas in production, as the first industrial plant in the region. This transition to a clean fuel has resulted in 20% reduction in production costs as well as creating positive externalities for the plant itself and its surroundings.

Additionally, the second step in supplying steam and power at the same time, the co-generation facility to be set up by Camiř Elektrik, a Business company, will be operational by the second half of 2006. The Soda plant will take its steam and energy from this facility thus attaining an even higher degree of cost reduction in production. The European Investment Bank has for the first time in Turkey for an industry, provided a direct credit to this project.

Apart from the soda factory, the possibilities created by the joint production of soda ash and sodium bicarbonate in Sodi plant, Bulgaria have been utilized to the maximum. The Sodi plant has operated with very high capacity utilization in 2005. In addition to production, Soda Sanayii has also received dividends from the joint-venture.

The other production facility of Soda Sanayii, **Kromsan Chromium Chemicals Plant** produces raw materials such as sodium bichromate, basic chromium sulphate, chromic



Soda Plant - Mersin



Transition to natural gas has helped reduce production costs significantly at the same time rendering Soda Sanayii an industry without a smoking chimney.

Kromsan Plant - Mersin



acid and sodium sulphate for various sectors particularly leather, wood impregnation, chemicals and paper. Important developments have marked 2005 in the chromium chemicals sector. Some of the major western producers and others have lowered capacity due to abandoned facilities, which has positively effected the supply-demand balance, resulting in significant increases in prices.

Kromsan has thus strengthened its position in world markets by increasing production. Product and service perfection has allowed the Business penetrate the Chinese leather chemicals market, one of the majors in the world.

The project to increase furnace efficiency has been succesfully applied in both Kromsan furnaces, resulting in very satisfactory performances. The benefits from this project in the main production area will be transferred to the derivatives production as well, where capacity increase for basic chromium sulphate production will be completed in 2006. The supply of the most important production input, chromite ore has been secured through new purchasing and other contacts.

Meanwhile, in the second most important leather chemicals market Italy, a 50:50 joint-venture with **Cromital** has been established in July 2005. The sales of the company have

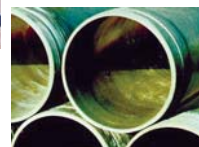
immediately increased following the agreement.

The following year will witness an increase in activities in this market.

Activities within the context of Responsible Care have been continued reflecting the importance the Business gives to the environment and human health. Kromsan has been awarded the 2005 project prize in Responsible Care Competition organized by the Turkish Chemical Industry Association for a project in this category. The project will also participate in the competition organized by Cefic.

The other important activity of the Business is production of glass fiber and unsaturated polyester carried out by **Cam Elyaf**. Glass fiber and polyester products are inputs for glass fiber reinforced plastics (GRP), increasingly replacing traditional materials due to various advantages. GRP products are used in many applications including those in the construction, automotive, electronics industries, infrastructure, urban furniture, highway signs, ship building, aircraft and space industry among others. The right solutions for customer demands carries importance in this sector.

Cam Elyaf with a strong R&D capability, has developed 14 new glass fibre products, 9 new polyester products and has acquired 21 new customers in 10 new markets in 2005.



Camelyaf developed 14 new products demanded by the market in 2005. Intense campaigns have been carried out to spread the use of glass reinforced plastics (GRP) in all walks of life.

Kromsan has strengthened its position and attained a high performance due to the restructuring in global markets and its technological achievements.

Efficient input utilization has resulted in lower unit costs in production and total productive maintenance has allowed high capacity utilization ratios to be attained. Both of the furnaces have made the transition to natural gas. The GRP Producers Association that will promote the use of GRP materials in Turkey was set up on 25 May 2005 with 30 members.

Cam Elyaf has participated in the JEC Composite Materials Event and was involved in various studies organized by the European Glass Fiber Producers Association (APFE) of which it is a member.

One of the largest local industrial raw materials producer **Camiş Madencilik**, has continued its deliveries of industrial raw materials with right quality at the right cost to its customers in Turkey and abroad.

The Bilecik Glass Raw Materials Facility, aiming at meeting the increasing local raw materials needs of the Şişecam Group, started operating at the beginning of 2006, in parallel with start up of new glass operations in the region.

Camiş Madencilik has also supported the Group's Russian and Bulgarian glass operations with raw materials supply projects, has studied alternative raw materials and given support with R&D work.

Vitamin K3 produced by **Oxyvit Kimya** is a raw material used as an additive in animal feed, and therefore used by the multinational firms producing raw materials for this sector. The demand for vitamin K3 and its derivatives is increasing in line with the developments in the global feed and chicken farming industries and has suffered from the outbreak of bird flu epidemics in various parts of the world in 2005.

Sodium metabisulphide, a chemical used in food and textile sectors for various purposes, will be produced following the conclusion of a project in the following year. The product mix of Oxyvit will have further expanded by this product.

Camiş Elektrik that was established to provide a secure power supply for glass manufacturers is continuing production at its 3 power plants in Trakya, Topkapı and Çayirova, and has started constructing the Mersin co-generation plant with a capacity of 120 MW, to be completed in September 2006.

Camiş Logistics carries out the national and international input, product and materials transportation operations of the Group operations. In the year 2005, 5.4 million tons of transport volume has been achieved, including the strong support rendered for transportation needs of investments abroad.



Bilecik Glass Raw Materials Facility



The new glass raw materials production facility has been set-up at Bilecik due to its proximity to the deposits and also ease of transportation of processed materials to glass production plants.



The construction of the Mersin co-generation plant has continued and will come into operation in the second half of 2006. The plant will satisfy Business needs as well as sell power outside customers.



Şişecam, aware that the human resource is the essential competitive factor to achieve organizational targets, prepares a contemporary and efficient work atmosphere for its human resource to continuously develop its proficiencies in a satisfactory manner. The Group encourages a workforce that is visionary, creative, open to development and novelty, with a strong feeling of belonging.

The Private Retirement System supported by the employer has been started in 2005. For a faster and more effective human resources system, document management has been evaluated and supported utilizing new IT resources. Foreign language proficiencies of the workforce have continued to be supported by various programs.

Training

Training has been carried out as usual in class, workshops and on-line formats and particularly for newly operational facilities, sector specific on the job courses for the technical workforce, technical basics training for new personnel, and fast adaptation crash courses have all been employed as strategic training tools.

In the year 2005, 35,066 person-hours training has been provided for 3,996 personnel, both salaried and hourly-waged employees. The total adds up to 4,028 people and

35,534 person-hours when the IT support training are also included.

When technical trips and the plants' own training activities with on-the-job training, are included, the Group has reached a grand total of 166,953 person-hours for 15,028 people.

Training composed of 253 courses and seminars while topics have included Organizational Development, Management Development, Individual Development and Professional/Fuctional Development main categories. With such a rich palette, it is thought that employees will be supported to learn and internalize the organizational culture and contribute to its development.

Industrial Relations

The year 2005 has been a relatively calm period with industrial peace reigning in work places. The workforce that became redundant as a result of the closing of Çayırova Flat Glass Plant on 31.12.2004 and the Paşabahçe Kırklareli Plant I. furnace on 13.06.2005 was taken care of peacefully through protocols established with the Kristal-İş Union. The phasing out of Anadolu Cam Çayırova plant that will coincide with the start of production in the Anadolu Cam Yenisehir Plant should allow for a smooth transition there as well, which has already been agreed in principle with the union.

As training and social activities aiming at human resources development has continued, sports and young people in sports have been supported by the Group with the aim of a healthy and happy society. The Şişecam rowing and sailing teams have brought home many successes in championships.



Şişecam's most important resource in realizing its regional leadership vision is its ambitious, decisive and high quality human capital.

In Anadolu Cam Yenişehir plant, the 2006-2008, 3 year collective agreement has been finalized and is effective. Industrial relations policy for workplace peace in newly operational Anadolu Cam Yenişehir, Trakya Yenişehir, to come on stream in 2007, and the new Trakya Glass EAD float and glassware plants is being developed. Talks are continuing with the Selüloz-İş Union to settle the employee rights of the sub-contracted Camiş Ambalaj Eskişehir employees.

Collective bargaining is continuing at Soda Sanayii Mersin operations with Petrol-İş, at Denizli Cam with Çimse-İş and with Kristal-İş for the Group glass operations as a whole to sign the 20th period collective agreement.

Occupational Health and Safety

This field has been considered an important competitive factor in international competition and is being restructured in line with EU harmonization activity. Annual investigation and analysis program is being carried out with internationally certified specialists. Also, in line with requests from the workplaces, in the framework of quality and environmental systems, technical measurements and studies have contributed in a major way to the improvement of the work medium, reducing risks of work related illness and industrial accidents. The studies and measurements in

the glassware plant in Bulgaria have helped the plant catch-up with Group standards in occupational health and safety.

A web site has been prepared to make Group workplaces easily reach legal documents and other information on health and safety. Information such as industrial relations and collective bargaining agreements are also placed on the website to allow for harmonization and standards in execution in the Group.

Training on occupational health and safety includes such important topics to be shared with the employees as, workplace risks, protective equipment, sources of industrial accidents, legal rights and responsibilities, all demonstrated with examples, event analyses and audio-visual support. The aim is the formation of a safety culture encompassing whole life rather than workplace specific practices.

Major work in 2006 will include harmonization studies regarding the EU process. Legislation change on Unions, Collective Bargaining and Agreements as well as Legislation on Strikes and Lock-Outs will be also on the table and will have the potential to re-organize Turkish Industrial Relations. This process will be closely scrutinized by participating in the various work groups on draft legislation organized by the Ministry of Labour.



Research and development is the safeguard of Şişecam's success in international competition and 2005 has again been a year in which the Group's such activities have added value. The Group uses R&D effectively by utilizing scientific and technological knowledge, a well trained research work force and cutting edge techniques to sustain the Şişecam's vision of regional leadership in domestic and regional operations.

The fast expanding Group has constructed 3 new furnaces in the Russian Federation, Bulgaria and Georgia, glass packaging, glassware and float glass all included. By transferring its product and process know-how succesfully, Şişecam has increased production capacity abroad by a formidable 65%.

The Group has established another hub of production in Bursa-Yenişehir where an emerald green bottle plant has started production and plans for a 5th float line are well under way.

The accumulated scientific-technological know-how, engineering capability, problem solving practice all go towards longer lasting, more energy efficient furnaces producing better quality glass products.

In the Mersin region the transition of all energy consuming operations using fuel oil or LNG/LPG to natural gas have been completed resulting in significant energy cost reductions. Alternative raw materials have also resulted in lower energy costs as well as better quality products.

Mathematical modelling is now routinely used in furnace design and operations and this tool has been effectively used in 2005 also to reduce energy use, improve productivity and efficiency as well as quality. The improved furnace designs via modelling are verified through operation to test the validity of the prepared models. Mathematical modelling is now also a powerful method for processes outside the furnace most particularly forming operations.

Coloring, which is an important aspect of value added product development in glass packaging and glassware has been studied extensively and further insight gained into the fundamental chemical and physical basis of these reactions.

The solid analytical support that all production operations receive via the Glass Research Center has been extended to not only the new production hub in Bursa-Yenişehir but also to the Russian Federation

R&D as the safeguard of the Group's global competitive future, has continued to create value through process and product development with the added task of multi-national technology transfer to different production geographies.



R&D is the safeguard of Şişecam's success in international competition and 2005 has again been a year in which the Group's such activities have added value.

and Bulgaria. The multi-sectoral and multi-cultural experiences are all enhancing the R&D capabilities of the Group and the standardization of all accreditation activities via international certification by the Turkish Accreditation Institute is a natural extension of this.

As is well known, Turkey is in the compulsory CE area in building products and intensive preparation has continued for harmonization of all products to this regulatory framework.

Energy efficient glazing product range which received a boost by the Tentesol product, coating technology developed by Şişecam and the recipient of the environmental prize in construction, were further enriched by the development and succesful launch of the titania based solar control glazing with increased reflection.

On the off-line process, a myriad of energy saving coatings of high value have been developed. The heatable (negative) coating to be used in industrial coolers and front face reflective automotive mirrors were all developed in the laboratories. Research on nano-technological surface coatings are also well under way.

Molecular interference with the glass surface is carried out to develop various functional and esthetical products with hydrophobic, hydrophilic and photocatalytical

properties as well different colors. Şişecam has worked together with the universities and other research institutes in the country to utilize technological capability to serve a better and advanced glass future. Many surface technologies are under investigation for added value functional products at laboratory and pilot scale and a strong technological capability is maintained in this area.

Research on highly automated on-line glass quality measurement techniques that were developed with TÜBİTAK continued in 2005 and production lines have been equipped with such machinery to further support international competitive power.

Şişecam spends around 1% of sales on R&D, and this function is the center of excellence in the Group on engineering/technology selection authority for investments, analytical support, problem solving, product and process development as well as identification of new business opportunities.

The R&D group has succesfully represented Şişecam as well as Turkey in many international meetings and committees and this success has been rewarded by many prizes awarded to the Group.



The Group regards the principle of environmental protection as a central tenet of strategic management. This consideration is the guiding principles of all investment and production operations.

The wave of local and international investment is accompanied by intensive effort in this direction which also has to be carried out in liason with harmonization work on legislative issues regarding the EU accession process.

Enviromental Management System

The application of an Environmental Management System is regarded as a critical tenet of environmental protection activities. In 2005, 8 organizations within Şişecam have received the ISO 14001 Environmental Management Standard certification.

Prevention at the Source/Recycling

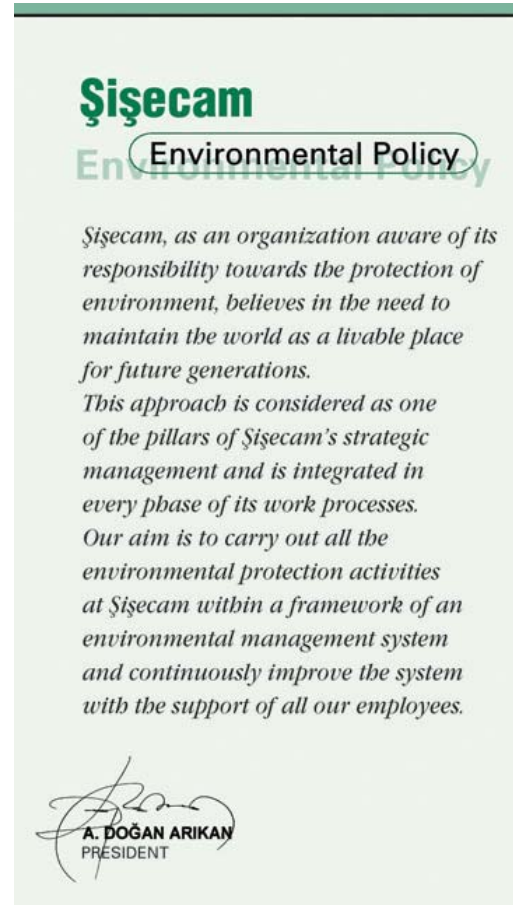
One of the important measures applied in the glass industry to improve environmental performance is the use of clean fuel. In 2005 all facilities have made the transition to natural gas and the use of LoNOx technologies in combustion to reduce NOx emissions have continued. Recycling is a very important aspect of glass production and glass packaging waste has been collected via intense efforts of CAMSİAD and ÇEVKO.

Pollution Control/Refining Facilities

Where prevention at the source is not possible, internationally accepted methods of pollution control and refinement are the norm. 2.8 million euro have been spent on technologies to curb chimney gas emissions and a further 1 million euro investments will follow in the new operations abroad.

Contribution of Glass to the Environment

Glass, as is well known is a recyclable material par excellence, and this dimension has been maximized by R&D practices of the Group in 2005.



National and International Activities

Şişecam deems important that environmental legislation in the country walks hand in hand with the realities of the industrial world in Turkey. Therefore Group specialists have contributed to the formation of opinion regarding environmental legislation by participating in national and international bodies and all this experience and knowledge on developments in the environmental legislation is transferred in a proactive way to Group companies.

Environmental Measurment and Laboratory Accreditation

Chimney flue and air quality measurements have been carried out since 1986 utilizing cutting edge technologies and long time experience. The upgrading of this activity according to requirements of ISO 17025 Laboratory Accreditation has been completed. The relevant certification by TÜRKAK as well as the certification for certified environmental analysis from the Ministry of the Environment are expected to be obtained in 2006.

**Türkiye Şişe ve Cam Fabrikaları A.Ş.
and its Subsidiaries**

**Consolidated Financial Statements
for the Year Ended 31 December 2005**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Türkiye Şişe ve Cam Fabrikaları A.Ş.

1. We have audited the consolidated balance sheet of Türkiye Şişe ve Cam Fabrikaları A.Ş. (the "Company") and its subsidiaries (together the "Group") as of 31 December 2005, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended. Our review was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

2. In our opinion, the accompanying financial statements present fairly the financial position of the Group as at 31 December 2005 and the results of its operations for the year then ended, in conformity with legislation and generally accepted accounting principles determined by CMB (note 2).

Without qualifying our opinion, we draw attention to the following:

3. The Group's 2004 and 2003 independent auditors' opinion stated that no impairment reserve was provided for the available-for-sale investments due to the fact that valuation reports were not available to assess the necessity of a diminution in value. The related studies were carried out in the current year and accordingly, YTL 156.611.825 of impairment was charged to the statement of income in the accompanying consolidated financial statements.



DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

Hüseyin Gürer
Partner
İstanbul, 23 March 2006

Türkiye Şişe ve Cam Fabrikaları A.Ş. and its Subsidiaries
Consolidated Balance Sheets as at 31 December 2005 and 31 December 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise stated.)

ASSETS	Note	31.12.2005	31.12.2004
Current Assets		1.346.127.120	1.146.754.346
Cash and Cash Equivalents	4	445.663.780	388.058.540
Investments (net)	5	1.210.364	2.750.235
Trade Receivables (net)	7	365.742.744	353.738.989
Finance Lease Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	5.062.270	2.222.321
Other Receivables (net)	10	68.800.486	27.650.727
Biological Assets (net)	11	-	-
Inventories (net)	12	455.649.924	367.241.607
Receivables from Ongoing Construction Agreements (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	3.997.552	5.091.927
Non Current Assets		2.839.693.415	2.592.951.999
Trade Receivables (net)	7	4.558.768	312.365
Finance Lease Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	-	-
Other Receivables (net)	10	12.334.066	581.152
Financial Assets (net)	16	178.576.470	383.392.080
Positive/Negative Goodwill (net)	17	20.764.870	(158.079.802)
Investment Property (net)	18	-	-
Tangible Fixed Assets (net)	19	2.616.440.319	2.360.503.034
Intangible Assets (net)	20	5.812.996	6.058.817
Deferred Tax Assets	14	-	-
Other Non Current Assets	15	1.205.926	184.353
TOTAL ASSETS		4.185.820.535	3.739.706.345

The financial statements of the Group were approved by the Board of Directors on 23 March 2006 and the consolidated financial statements were authorized for issue by the Vice President Ahmet Faruk Polatkan and Holding Accounting Manager Mükremin Şimşek.

The accompanying notes form an integral part of these financial statements.

Türkiye Şişe ve Cam Fabrikaları A.Ş. and its Subsidiaries
Consolidated Balance Sheets as at 31 December 2005 and 31 December 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise stated.)

LIABILITIES	Note	31.12.2005	31.12.2004
Current Liabilities		660.560.262	526.488.680
Financial Debts (net)	6	354.959.484	272.213.244
Current Portion of Long Term Loans (net)	6	64.107.442	67.605.408
Obligations Under Finance Leases (net)	8	-	-
Other Financial Liabilities (net)	10	35.613.833	28.225.927
Trade Payables (net)	7	165.081.283	105.588.770
Due to Related Parties (net)	9	11.985.692	16.596.148
Advances Received	21	6.422.650	5.731.812
Obligation Arising from Construction Contracts			
Progress Payments (net)	13	-	-
Provisions for Debts	23	19.423.917	20.470.751
Deferred Tax Liabilities	14	-	-
Other Liabilities (net)	15	2.965.961	10.056.620
Non-Current Liabilities		719.602.732	579.383.271
Financial Debts (net)	6	388.579.985	253.633.074
Finance Lease Payables (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	32.341	26.033
Due to Related Parties (net)	9	-	-
Advances Received	21	-	-
Provisions for Debts	23	132.308.167	120.757.042
Deferred Tax Liabilities	14	196.711.704	204.017.950
Other Liabilities (net)	15	1.970.535	949.172
MINORITY INTEREST	24	674.574.988	641.892.673
SHAREHOLDERS' EQUITY		2.131.082.553	1.991.941.721
Capital	25	423.500.000	423.500.000
Capital Investment Elimination	25	(620.857)	(620.857)
Capital Reserves	26	408.709.269	465.130.357
Premium in Excess of Par		2.157.676	2.157.676
Gain on Cancellation of Equity Shares		-	-
Revaluation Fund		-	-
Revaluation Fund of Financial Assets		8.168.910	8.892.311
Inflation Adjustment of Equity Items		398.382.683	454.080.370
Profit Reserves	27	255.270.523	167.692.546
Legal Reserves		69.363.357	48.179.482
Statutory Reserves		2.040.415	1.350.669
Extraordinary Reserves		188.262.565	119.879.746
Special Reserves		-	-
Gain from Sale of Tangible Fixed Assets and Equity		-	-
Participations' Shares Transferable to Capital		-	-
Foreign Currency Translation Adjustments		(4.395.814)	(1.717.351)
Net Profit/Loss for the Period		(5.852.547)	186.892.777
Retained Earnings/Accumulated Deficits	28	1.050.076.165	749.346.898
TOTAL EQUITY AND LIABILITIES		4.185.820.535	3.739.706.345

The accompanying notes form an integral part of these financial statements.

Türkiye Şişe ve Cam Fabrikaları A.Ş. and its Subsidiaries
Consolidated Statements of Income for the Years Ended 31 December 2005 and 31 December 2004
(Amounts expressed in New Turkish Lira (YTL) unless otherwise stated.)

	Note	2005	2004
OPERATING INCOME		2.221.121.258	2.185.572.987
Sales Income (net)	36	2.221.121.258	2.185.572.987
Cost of Sales (-)	36	(1.500.535.665)	(1.471.491.640)
Service Income (net)	36	-	-
Other Operating Income / interest+dividend+rent (net)	36	-	-
GROSS OPERATING PROFIT		720.585.593	714.081.347
Operating Expenses (-)	37	(430.977.521)	(399.884.221)
NET OPERATING PROFIT		289.608.072	314.197.126
Other Operating Income and Profits	38	56.477.173	47.740.354
Other Operating Expenses and Losses (-)	38	(224.442.559)	(72.829.959)
Financial Expenses (-)	39	(5.155.993)	(11.800.181)
OPERATING PROFIT		116.486.693	277.307.340
Net Monetary Gain / (Loss)	40	-	68.041.735
MINORITY INTEREST		(61.394.525)	(60.754.324)
PROFIT BEFORE TAXATION		55.092.168	284.594.751
Taxes	41	(60.944.715)	(97.701.974)
NET PROFIT / (LOSS) FOR THE PERIOD		(5.852.547)	186.892.777
EARNINGS PER SHARE	42	(0,01)	0,46

The accompanying notes form an integral part of these financial statements.

Türkiye Şişe ve Cam Fabrikaları A.Ş. and its Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity for the Years
Ended 31 December 2005 and 31 December 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise stated.)

	Share Capital	Capital		Share Premium in Excess of Par	Revaluation Fund of Financial Assets		Inflation Adjustment of Equity Items	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Foreign Currency Translation Adjustments		Retained Earnings	Net Profit for the Period	Total
		Investment Elimination	(519.063)	1.999.860	11.981.366	570.783.676					731.652	831.928.953			
Balance as of 1 January 2004	285.000.000							27.238.182	1.101.418	79.737.841	731.652	831.928.953		-	1.809.983.885
Transfer to reserves	-	-	-	-	-	-	-	20.941.300	249.251	40.141.905	-	(61.332.456)	-	-	-
Cash capital increase	20.599.787	(101.794)		157.816	-	1.196.907	-	-	-	-	-	-	-	-	21.852.716
Non cash capital increase	117.900.213	-	-	-	-	(117.900.213)	-	-	-	-	-	-	-	-	-
Decrease in the fair value of available-for-sale assets	-	-	-	-	(3.089.055)	-	-	-	-	-	-	-	-	-	(3.089.055)
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	-	(2.449.003)	-	-	-	(2.449.003)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(21.249.599)	-	-	(21.249.599)
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	186.892.777	186.892.777	186.892.777
Balance as of 31 December 2004	423.500.000	(620.857)	2.157.676	8.892.311	454.080.370	48.179.482	1.350.669	119.879.746	(1.717.351)	749.346.898	186.892.777	1.991.941.721			
Balance as of 01 January 2005- as previously reported	423.500.000	(620.857)	2.157.676	8.892.311	454.080.370	48.179.482	1.350.669	119.879.746	(1.717.351)	749.346.898	186.892.777	1.991.941.721			
Effect of negative goodwill adjustments (Note: 3.h and 17)	-	-	-	-	-	-	-	-	-	-	-	178.844.664	-	-	178.844.664
Balance as of 01 January 2005- as restated	423.500.000	(620.857)	2.157.676	8.892.311	454.080.370	48.179.482	1.350.669	119.879.746	(1.717.351)	1.115.084.339	-	2.170.786.385			
Transfer to reserves	-	-	-	-	-	21.183.875	689.746	78.897.505	-	(100.771.126)	-	-	-	-	-
Decrease in the fair value of available-for-sale assets	-	-	-	(723.401)	-	-	-	-	-	-	-	-	-	-	(723.401)
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	(2.678.463)	-	-	-	-	(2.678.463)
Offsetting of accumulated deficits of subsidiaries	-	-	-	-	(55.697.687)	-	-	(10.514.686)	-	66.212.373	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(30.449.421)	-	-	(30.449.421)
Net loss for the period	-	-	-	-	-	-	-	-	-	-	-	(5.852.547)	(5.852.547)	(5.852.547)	(5.852.547)
Balance as of 31 December 2005	423.500.000	(620.857)	2.157.676	8.168.910	398.382.683	69.363.357	2.040.415	188.262.565	(4.395.814)	1.050.076.165	(5.852.547)	2.131.082.553			

The accompanying notes form an integral part of these financial statements.

Türkiye Şişe ve Cam Fabrikaları A.Ş. and its Subsidiaries
Consolidated Statements of Cash Flows for the Years Ended
31 December 2005 and 31 December 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise stated.)

	Note	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) for the year		(5.852.547)	186.892.777
Adjustments to reconcile net profit to net cash provided by operating activities			
- Depreciation of tangible assets	19	258.783.745	304.827.569
- Amortization of intangible assets	20	1.201.971	989.532
- Negative goodwill released to income (net)	17	-	(18.392.495)
- Accrued exchange losses and interest on borrowings		11.036.681	6.206.341
- Provision for retirement pay	23	26.819.951	14.750.467
- Changes in allowance for doubtful receivables	7,10	3.025.031	(3.750.419)
- Changes in allowance for impairment of inventories	12	203.965	178.585
- Changes in the provision for the impairment of investments	16	156.611.825	-
- Minority interest	24	61.394.525	60.754.324
- Accrued taxation net of monetary gain/(loss)	41	60.944.715	74.371.578
Operating cash flow provided before changes in working capital		574.169.862	626.828.259
- Changes in working capital	43	(88.333.200)	(56.503.414)
Cash generated from operations		485.836.662	570.324.845
- Taxes paid	23	(71.636.635)	(85.920.639)
- Retirement benefits paid	23	(15.268.826)	(15.113.180)
Cash provided by operating activities		398.931.201	469.291.026
CASH FLOWS FROM INVESTING ACTIVITIES			
- Changes in held for trading investments (net)	5	1.539.871	(2.053.774)
- Changes in financial assets (net)	16	47.480.384	4.573.546
- Effect of negative goodwill	17	-	12.818.817
- Purchases of tangible assets	19	(561.646.782)	(343.015.547)
- Purchases of intangible assets	20	(1.006.389)	(1.146.224)
- Net book value of tangible assets disposed	19	46.925.752	31.481.162
- Net book value of intangible assets disposed	20	50.239	4.964
- Exchange differences on translation of foreign operations		(2.678.463)	(2.449.003)
- Changes in other investing activities		(15.987.446)	837.798
Cash used in investing activities		(485.322.834)	(298.948.261)
CASH FLOWS FROM FINANCING ACTIVITIES			
- Changes in borrowings	6	203.158.504	38.199.854
- Dividends paid		(30.449.421)	(21.249.602)
- Increase in capital and premium in excess of par		-	21.852.719
- Changes in minority interests (net)	24	(28.712.210)	(19.072.249)
Cash provided by financing activities		143.996.873	19.730.722
NET CHANGES IN CASH AND CASH EQUIVALENTS		57.605.240	190.073.487
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4	388.058.540	197.985.053
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	445.663.780	388.058.540

The accompanying notes form an integral part of these financial statements.

Türkiye Şişe ve Cam Fabrikaları A.Ş. and its Subsidiaries

Notes to the Consolidated Financial Statements for the Years Ended 31 December 2005 and 31 December 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise stated.)

1. Organization and Operations of the Group

Türkiye Şişe ve Cam Fabrikaları A.Ş. Group (the "Group") consists of Türkiye Şişe ve Cam Fabrikaları A.Ş. (the "Company"), the holding company and its subsidiaries comprising 35 companies in which the Company owns a majority shareholding and/or effectively controls their management, 3 joint ventures and 2 associates.

The Group consists of five operational divisions for the management accounting purpose. These divisions are flat glass, glassware, glass packaging, chemicals, and other division which consists of export-import and insurance services. The Group's core business is glass production and other comprising complementary industrial and commercial operations related to glass production and participation in various industrial and commercial companies' capital and management.

The Group was established 70 years ago in Turkey by Türkiye İş Bankası A.Ş. ("İş Bankası"), one of the largest private commercial banks in Turkey. The shares of the Company have been publicly traded at the Istanbul Stock Exchange (ISE) for 20 years. As of the balance sheet date, İş Bankası owns 66,1% of the shares and controls the Group.

Consolidated subsidiaries

The nature of the businesses, the respective business segments of the consolidated subsidiaries and the Group's share of direct and effective ownership are as follows:

Company name	Nature of business	Country of registration	Segment
T. Şişe ve Cam Fabrikaları A.Ş. (*)	Holding company	Turkey	Holding
Trakya Cam Sanayii A.Ş. (*)	Flat glass, processed glass and automotive glass production and sales	Turkey	Flat glass
Trakya Glass Bulgaria EAD.	Flat glass, machine made glassware production and sales	Bulgaria	Flat glass
Trakya Cam Investment B.V.	Financing and investment company	Netherlands	Flat glass
Çayırova Cam Sanayii A.Ş.	Patterned and coated glass production and sales	Turkey	Flat glass
Trakya Yenisehir Cam San. A.Ş.	Flat glass production and sales	Turkey	Flat glass
Paşabahçe Cam Sanayii ve Tic. A.Ş.	Machine made glassware production and sales	Turkey	Glassware
Paşabahçe Eskişehir Cam San.ve Tic. A.Ş.	Machine made glassware production and sales	Turkey	Glassware
Denizli Cam San. ve Tic. A.Ş. (*)	Soda-lime and crystal glassware hand production and sales	Turkey	Glassware
Camiş Ambalaj Sanayii A.Ş.	Paper and cardboard packaging production and sales	Turkey	Glassware
Paşabahçe Mağazaları A.Ş.	Retail chain of glassware	Turkey	Glassware
Paşabahçe Investment B.V.	Finance and investment company	Netherlands	Glassware
OOO Posuda	Machine made glassware production and sales	Russia	Glassware
Anadolu Cam Sanayii A.Ş. (*)	Glass packaging production and sales	Turkey	Glass packaging
JSC Mina	Glass packaging production and sales	Georgia	Glass packaging
OOO Ruscam	Glass packaging production and sales	Russia	Glass packaging
OJSC Pokrov Glass Plant	Glass packaging production and sales	Russia	Glass packaging
Balsand B.V.	Finance and investment company	Netherlands	Glass packaging
OOO Ruscam Ufa	Glass packaging production and sales	Russia	Glass packaging
Ferro Döküm Sanayii ve Tic. A.Ş.	Nodular and gray iron castings production and sales	Turkey	Glass packaging
Anadolu Cam Yenisehir San. A.Ş.	Glass packaging production and sales	Turkey	Glass packaging
Anadolu Cam Investment B.V.	Finance and investment company	Netherlands	Glass packaging
Soda Sanayii A.Ş. (*)	Soda ash, sodium and chromium chemicals production and sales	Turkey	Chemicals
Şişecam Bulgaria Ltd.	Soda ash sales	Bulgaria	Chemicals
Cam Elyaf Sanayii A.Ş.	Glass fiber and polyester production and sales	Turkey	Chemicals
Camiş Madencilik A.Ş.	Glass raw materials production and sales	Turkey	Chemicals
Camiş Egypt Mining Ltd. Co.	Sand supplier	Egypt	Chemicals
Camiş Elektrik Üretim A.Ş.	Electricity production and sales	Turkey	Chemicals
Madencilik San. ve Tic. A.Ş.	Glass raw materials production and sales	Turkey	Chemicals
Camiş Lojistik Hizmetleri A.Ş. (*)	Logistic services	Turkey	Chemicals
Cam Pazarlama A.Ş.	Export company of the Group	Turkey	Other
Cam Ürünleri İşleme San. A.Ş.	Processing of glass products	Turkey	Other
Camiş Limited	Foreign purchasing services	England	Other
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	Insurance agency	Turkey	Other
Camiş Sigorta Hizmetleri A.Ş.	Insurance agency	Turkey	Other

(*) Indicates companies with shares publicly traded on the Istanbul Stock Exchange (ISE).

Company name	31 December 2005		31 December 2004	
	Proportion of direct ownership %	Proportion of effective ownership %	Proportion of direct ownership %	Proportion of effective ownership %
Trakya Cam Sanayii A.Ş.	67,07	66,56	67,07	66,56
Trakya Glass Bulgaria EAD.	100,00	73,62	100,00	66,56
Trakya Cam Investment B.V.	100,00	73,62	100,00	66,56
Çayırova Cam Sanayii A.Ş.	68,40	52,74	68,40	52,74
Trakya Yenışehir Cam San. A.Ş.	100,00	71,57	-	-
Paşabahçe Cam Sanayii ve Tic. A.Ş.	99,36	90,11	99,36	90,11
Paşabahçe Eskişehir Cam San. ve Tic. A.Ş.	100,00	88,03	100,00	88,03
Denizli Cam San. ve Tic. A.Ş.	51,00	40,80	51,00	40,80
Camış Ambalaj Sanayii A.Ş.	100,00	93,93	100,00	93,93
Paşabahçe Mağazaları A.Ş.	100,00	65,83	100,00	65,83
Paşabahçe Investment B.V.	100,00	90,11	100,00	90,11
OOO Posuda	100,00	90,11	100,00	90,11
Anadolu Cam Sanayii A.Ş.	79,81	78,42	79,81	78,42
JSC Mina	80,64	63,23	80,64	63,23
OOO Ruscam	99,74	40,55	99,74	40,55
OJSC Pokrov Glass Plant	90,89	36,35	90,89	36,35
Balsand B.V.	51,00	39,99	51,00	39,99
OOO Ruscam Ufa	100,00	39,99	100,00	39,99
Ferro Döküm Sanayii ve Tic. A.Ş.	100,00	71,01	100,00	71,01
Cam Ürünleri İşleme San. A.Ş.	100,00	90,07	100,00	90,07
Anadolu Cam Yenışehir San. A.Ş.	100,00	81,64	-	-
Anadolu Cam Investment B.V.	51,85	40,66	51,85	40,66
Soda Sanayii A.Ş.	84,92	75,24	84,92	75,24
Şişecam Bulgaria Ltd.	100,00	75,24	100,00	75,24
Cam Elyaf Sanayii A.Ş.	98,35	74,44	98,35	74,44
Camış Madencilik A.Ş.	21,54	16,98	21,54	16,98
Camış Egypt Mining Ltd. Co.	99,70	16,93	99,70	16,93
Camış Elektrik Üretim A.Ş.	100,00	69,66	100,00	69,66
Madencilik San. ve Tic. A.Ş.	100,00	90,05	100,00	90,05
Cam Pazarlama A.Ş.	99,66	92,04	99,66	92,04
Camış Lojistik Hizmetleri A.Ş.	69,58	28,80	69,58	28,80
Camış Limited	100,00	94,65	100,00	94,65
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	100,00	99,81	100,00	99,81
Camış Sigorta Hizmetleri A.Ş.	100,00	84,62	100,00	84,62

Joint ventures:

Company name	Nature of business	Country of registration	Segment
Oxyvit Kimya San. ve Tic. A.Ş.	Vitamin K production	Turkey	Chemicals
Omco İstanbul Kalıp San. ve Tic. A.Ş.	Glass moulds production and sales	Turkey	Glass packaging
OOO Balkum	Sand processing and sales	Russia	Glass packaging

Company name	31 December 2005		31 December 2004	
	Proportion of direct ownership %	Proportion of effective ownership %	Proportion of direct ownership %	Proportion of effective ownership %
Oxyvit Kimya San. ve Tic. A.Ş.	50,00	50,00	50,00	50,00
Omco İstanbul Kalıp San. ve Tic. A.Ş.	50,00	50,00	50,00	50,00
OOO Balkum	50,00	50,00	50,00	50,00

Associates:

Company name	Nature of business	Country of registration	Segment
OJSC Form Mat	Sand production and sales	Russia	Glass packaging
Solvay Şişecam Holding AG	Soda ash sales	Austria	Chemicals

Company name	31 December 2005		31 December 2004	
	Proportion of direct ownership %	Proportion of effective ownership %	Proportion of direct ownership %	Proportion of effective ownership %
OJSC Form Mat	48,50	19,40	-	-
Solvay Şişecam Holding AG	21,44	16,13	19,13	14,39

Company address and capital structure:

The Company is currently situated at İş Kuleleri Kule 3, 4. Levent-Beşiktaş/İstanbul. The details of the Company's capital structure are as follows:

Shareholders	31 December 2005	
	Share %	Share YTL
T.İş Bankası A.Ş.	66,10	279.962.603
Efes Holding A.Ş.	4,07	17.241.537
Other	29,83	126.295.860
	100,00	423.500.000

The number of personnel working is as follows:

	31 December 2005	31 December 2004
White-collar	4.825	4.487
Blue-collar	10.132	9.258
	14.957	13.745

As of 31 December 2005, the number of personnel eligible for retirement pay is 13.863. (2004: 12.589).

2. Basis of the Consolidated Financial Statements' Presentation

Accounting standards applied:

The Company and its subsidiaries, which are registered in Turkey, maintain their statutory books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The books of account of subsidiaries established at foreign countries are prepared in accordance with the laws and regulations in force in the countries where they are registered.

The Capital Markets Board (CMB), publishes a set of comprehensive accounting policies in Communiqué No: 25 of Series XI, "The Capital Markets Accounting Standards". Providing the disclosures related to the accounting standards issued by the Board including the formats of financial statements, reports and its notes under the "Communiqué on the amendment of the "Communiqué Regarding the Capital Markets Accounting Standards" (No: 27, Series XI) issued on 23 December 2004 and the "Additional Article 1", which is included in the "Communiqué Regarding the Capital Markets Accounting Standards" No: 25, Series XI, are reserved, the application of IFRSs is based on the adjustments and declaration obligations required in the Communiqué No: 25, Series XI therefore, the Communiqué declared that as an alternative, the compliance with the accounting standards issued by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) will be counted as in compliance with the CMB Accounting Standards.

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

Preparation of financial statements in hyperinflationary periods:

In accordance with the Communiqué No: 25, Series:XI, 75th article of the decision numbered 11/367 and dated 17 March 2005 of the CMB "Communiqué Regarding the Capital Markets Accounting Standards";

- a) As of 31 December 2004, the Wholesale Price Index (WPI) announced by the Turkish state Institute of Statistics is 69.72 % for the last three years and 13.84% for the previous year and since February, the index is 57.42% for last three years, and 8.13% for the previous year. As of 2005, the announced WPI's are (0.9)% and (0.02)% in monthly base.
- b) According to the expectations of the Central Bank of Turkey, inflation rate was 8% by the end of 2005 and will be 7.7% for the next 12 months; and according to these expectations, cumulative inflation rate is 35.7% for the last three years.

Companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards (including the companies adopting IFRSs), effective as of 1 January 2005, will not be subject to the application of inflation accounting. Therefore, beginning from 1 January 2005 IAS 29 "Preparation of Financial Statements in Hyperinflationary Periods" which was issued by IASB was not applied. Consequently, financial statements dated 31 December 2004 were expressed by the purchasing power of the New Turkish Lira as of 31 December 2004.

The exchange rate announced by the Turkish Central Bank as of 31.12.2005 is; USD 1=YTL 1.3418, Euro 1=YTL 1.5875 (At 31.12.2004; USD 1=YTL 1.3421 and Euro 1=YTL 1.8268).

Consolidation:

The consolidated financial statements incorporate the financial statements of the Group and enterprises controlled by the Group 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. 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 shareholders' equity and net income, which belong to third party shareholders, are separately disclosed for as minority.

Joint ventures are accounted for in the financial statements of the Group by proportional consolidation method. Application of this method is abandoned when control over joint ventures ceases. Proportional consolidation method is the same as the line-by-line 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 share of the "Group" acquired directly and/or via its subsidiaries. Consolidated financial statements prepared after these processes do not include minority interest. Demonstration of transactions between jointly managed company and "Group" are reflected to financial statements based on the core of the transaction. Hence, profit earned from transfer or sale of a noncurrent asset to jointly managed companies is considered as much as other entrepreneurs' share.

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 are called as an associate and they are accounted for under the equity method. Under the equity method, the net assets of the investee company are carried in the balance sheet and the share of the Group in the investee company's results of operations is recognized in the statement of income. The carrying amount of such investments is reduced to recognize any decline, other than a temporary decline, in the value of individual investments.

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", the assets and liabilities of affiliates of the Group in foreign countries, are translated into New Turkish Lira by using the closing rate of the balance sheet date. The income/loss items are translated into New Turkish Lira by the average exchange rate of the period. Differences arising on retranslation of the opening net assets of such Group undertakings and differences between the average and period-end rates are included in translation reserve as a separate item in shareholders' equity. The exchange differences are written as income or loss to the related period.

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

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

Comparative information and restatement of prior period financial statements:

Consolidated financial statements have been presented comparatively to the prior period. If the presentation or classification of the financial statements are changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes. In this regard, prior periods' data in the financial statements are reclassified in line with the financial statements and explanatory notes formats required by the CMB announcement numbered MSD 10/868-44357 and dated 1st January 2005.

Offsetting:

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

3. Summary of Significant Accounting Policies

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

a. Revenue recognition

Revenues are recognized on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns and discounts. Interest income is recognized on an effective interest method and dividend income is recognized when the Group's right to receive payment is established.

b. Inventory

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

c. Tangible assets

Tangible assets that are acquired before 1 January 2005 are carried with their restated cost, adjusted to the effects of inflation as of 31 December 2004 and tangible assets that are acquired in 2005, calculation is made by taking into account cost of acquisition, less accumulated depreciation and permanent diminutions.

The expected useful lives for tangible assets are as follows:

	Useful life
Buildings	14-50 years
Land improvements	50 years
Machinery and equipment	2-15 years
Vehicles	3-15 years
Furniture and fixtures	1-10 years
Leasehold improvements	5-10 years

Gains or losses on disposals of tangible assets with respect to their restated amounts are included in the related income and expense accounts, as appropriate where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

d. Intangible assets

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

e. Impairment of assets

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

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

f. Borrowing costs

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

g. Financial instruments

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

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

Investments other than held-to-maturity debt securities are classified as either held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, unrealized gains and losses are included in profit or loss for the period. For available-for-sale investments, unrealized gains and losses 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. Available-for-sale investments that do not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable are carried at restated cost in the accompanying consolidated financial statements.

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

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

The recorded values of certain securities carried at cost are considered to be representative of fair values due to their short term nature. The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

Cash and cash equivalents:

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

Trade receivables:

Trade receivables, in frame of IAS 39, are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized by the Group Management, by taking into account amount of non collectable receivables, guarantees taken, previous year experiences and available economical conditions. Irrecoverable amounts when they are recognized are recorded as loss in the period.

Borrowings:

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

Credit risk:

The Group's credit risk is primarily attributable to its trade receivables. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment. The credit risk on liquid funds is limited because the funds are invested in government bonds and treasury bills for short-term purposes.

Price risk:

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

Liquidity risk:

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

h. Business mergers

Goodwill represents the difference between the purchased assets' purchase cost and the fair value of the underlying net assets. Goodwill that is acquired before 31 March 2004 is capitalized and amortized using the straight-line method over the estimated useful life until 31 December 2004. Due to the change in the accounting policies beginning from 1 January 2005, amortization for goodwill has been ceased. The net book value of goodwill is reviewed annually for impairment if there are indicators of impairment and an impairment charge should be recognized in the consolidated statements of income if recoverable amount is less than carrying amount.

For acquisitions subsequent to the related date, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination (known as negative goodwill) should be recognized immediately in profit or loss.

In accordance with the transitional rules of IFRS 3, the Group has applied the revised accounting policy for goodwill prospectively from the beginning of its first annual period beginning on or after 31 March 2004, i.e. 1 January 2005, to goodwill acquired in business combinations for which the agreement date is before 31 March 2004. Therefore, from 1 January 2005, the Group has discontinued amortizing such goodwill and net carrying amount of negative goodwill arising from the acquisitions related to the prior periods are adjusted and recognized under "Retained Earnings" (Note 17).

i. Foreign currency transactions

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

In preparing the financial statements of the individual entities, transactions in foreign currencies (currencies other than YTL foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

j. Earnings per share

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

k. Events after balance sheet date

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Company. Should any new evidences come about events as of the balance sheet date or should new events come about they will be explained in the relevant footnote.

l. Provisions, contingent liabilities, contingent assets

If the Group has liabilities from previous events, in the case of selling its economically beneficial assets to pay these liabilities is probable and estimating the cost of the liabilities reliable; provision is provided for the related liabilities and the provision is displayed on the financial statements. Contingent liabilities are revaluated continuously to determine sales probability of economically beneficial assets. If economically beneficial assets are going to be sold certainly in the future for the payment of the items that are displayed as contingent liabilities, provision is provided and displayed on the financial statements for related contingent liabilities except reliable value estimation of the economically beneficial assets can not be performed at the time when sales probability of economically beneficial assets turns into certainty.

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

m. Accounting policies, change in accounting estimates and errors:

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

The Group can make changes to its accounting policies when such changes will reflect the companies' financial position, performance or cash flows in a more reliable manner. When the accounting policy change effects 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 effects 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 effects just one period, the change is taken into account in the period in which the change is made. If the change in estimate effects the future periods, the change is applied prospectively.

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

n. Leasing transactions

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

o. Related parties

For the purpose of the accompanying consolidated financial statements, shareholders of Türkiye Şişe ve Cam Fabrikaları 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 parties.

p. Segmental financial reporting

For management purposes, the Group is currently organized into five operating businesses; flat glass, glassware, glass packaging, chemicals and other including import, export, insurance agency and investment agency. These divisions are the basis of on which the Group reports its primary segmental financial information.

q. Government incentives and grants

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

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

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

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

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

According to the law no 3218, the companies which are licensed to operate in free zones are exempt from income and corporate tax provided that gains from these operations are limited with the period that was determined in the licenses; wages of employees working in these zones are exempt from income tax until 31 December 2008 and transactions related to these operations in free zones are exempt from all stamp taxes and duties until 31 December 2008. Moreover, income of tax payers who are having operations in free zones are exempt from income and corporate tax until the end of the annual taxation period including the date of the full membership to the European Union.

r. Taxation:

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis. Taxes on income for the year comprise of current tax and the change in deferred taxes. The Group accounts for current and deferred taxation on the results for the period, in accordance with IAS 12 ("Income Taxes" revised).

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

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

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

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

s. Employee benefits/ retirement pay provision

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

t. Statement of cash flows

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

u. New and revised international financial reporting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised standards and interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

In the consolidated financial statements, positive goodwill that shows the difference between the share of fair value of the acquired Group net assets, prior to 31 March 2004, activated if it is related to purchases and related with the income statement amortized over its usage life by using straight-line method. IFRS 3 - in the frame of "Entreprise Mergers", amortization accounting will not be applied to positive goodwill stems from purchases after 31 March 2004. After reviewing positive goodwill provision is arranged if necessary for value losses. Related to the purchases realized after the same date, if negative goodwill is the case, the amount is recorded as income in its occurrence period or in other words, in the case of the share of the Group exceeded the cost of acquired in the amount of acquired identifiable assets and fair value of the debts. In the frame of UFRS 3, the Group, has quitted amortization of positive goodwill realized at the beginning of the first accounting year-period (1 January 2005), ended after 31 March 2004, and again in accordance with the same standards, the Group has fixed the net recorded value of Negative goodwill stemming from the acquisitions realized in the previous periods by relating it with the account of "Profits of Previous Years" (Note 17).

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

IFRS 6 Exploration for and Evaluation of Mineral Resources

IFRS 7 Financial Instruments: Disclosures

IFRIC 4 Determining Whether an Arrangement Contains a Lease

IFRIC 5 Right to Interests Arising from Decommissioning, Restoration and Environmental Funds

IFRIC 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

IFRIC 8 Scope of IFRS 2

IFRIC 9 Reassessment of Embedded Derivatives

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

4. Cash and Cash Equivalents

	31 December 2005	31 December 2004
Cash on hand	251.912	177.482
Demand deposits	53.515.987	103.843.218
Time deposits	390.478.321	283.340.096
Other liquid assets	1.417.560	697.744
	445.663.780	388.058.540

Time Deposits

Currency	Interest Rate (%)	Maturity	31 December 2005	31 December 2004
EUR	3,00-4,00	January-December 2006	204.105.235	147.936.502
USD	3,25-4,50	January-July 2006	64.392.590	41.534.852
YTL	10,00-18,00	January-March 2006	120.960.688	93.756.456
Other foreign currency	3,00-4,00	January-December 2006	1.019.808	112.286
			390.478.321	283.340.096

5. Investments

	31 December 2005	31 December 2004
Held for trading investments	1.210.364	2.750.235

6. Financial Debts

	31 December 2005	31 December 2004
Short term financial debts:		
Short term bank loans	354.959.484	272.213.244
Current portion of long term loans	64.107.442	67.605.408
Total short term financial debts	419.066.926	339.818.652
Long term financial debts:		
Long term portion of long term loans	388.579.985	253.633.074
Total financial debts	807.646.911	593.451.726

31 December 2005

Currency	Maturity	Interest Rate %	Short Term	Long Term
USD	2012	Libor+ 0,65-4,25	90.052.223	105.119.296
EUR	2012	Euribor+ 0,60-3,65	294.399.616	283.460.689
YTL	2006	12,00-15,00	34.615.087	-
			419.066.926	388.579.985

31 December 2004

Currency	Maturity	Interest Rate %	Short Term	Long Term
USD	2012	Libor+ 1,20-4,13	147.421.067	108.198.332
EUR	2012	Euribor+ 1,13-3,65	160.189.402	145.434.742
YTL	2005	15,00-19,00	32.208.183	-
			339.818.652	253.633.074

The borrowings are repayable as follows:

	31 December 2005	31 December 2004
Within 1 year	419.066.926	339.818.652
Within 1-2 year	134.224.626	54.429.439
Within 2-3 year	89.073.859	49.544.394
Within 3-4 year	70.813.212	41.025.393
Within 4-5 year	56.472.784	31.442.455
5 years and after	37.995.504	77.191.393
	807.646.911	593.451.726

7. Trade Receivables and Payables

Current trade receivables (net)	31 December 2005	31 December 2004
Trade receivables	375.966.728	356.884.565
Deposits and guarantees given	178.076	265.105
Other trade receivables	544.716	4.561.015
Allowance for doubtful receivables (-)	(10.946.776)	(7.971.696)
	365.742.744	353.738.989

Movements in the allowance for doubtful receivables during 2005 and 2004 are as follows:

	2005	2004
Opening balance	(7.971.696)	(11.722.115)
Charge for the period	(3.863.048)	(4.609.616)
Recoveries	887.968	6.934.908
Monetary Gain	-	1.425.127
Closing Balance	(10.946.776)	(7.971.696)

The Group holds the following collaterals for the trade receivables:

	31 December 2005	31 December 2004
Letters of guarantee	142.390.837	102.514.043
Notes and bills	19.486.391	15.131.976
Mortgages	12.047.201	12.189.857
Others	642.022	5.305.044
	174.566.451	135.140.920

Non current trade receivables (net)	31 December 2005	31 December 2004
Trade receivables	3.923.866	-
Deposits and guarantees given	634.902	292.123
Other receivables	-	20.242
	4.558.768	312.365

Trade payables (net)	31 December 2005	31 December 2004
Short term trade payables		
Trade payables	163.381.294	104.237.071
Deposits and guarantees received	1.348.507	1.317.973
Other trade payables	351.482	33.726
	165.081.283	105.588.770
Long term trade payables		
Deposits and guarantees received	32.341	26.033

8. Finance Lease Receivables and Obligations

None.

9. Related Party Transactions

Deposits at İş Bankası	31 December 2005	31 December 2004
Demand Deposit	45.953.159	39.775.176
Time Deposit	389.320.964	254.378.634
	435.274.123	294.153.810
	31 December 2005	31 December 2004
Loans received from İş Bankası	55.090.139	29.163.061

Amounts due from related parties

Paşabahçe Mağazaları B.V.	904.539	288.551
Anadolu Anonim Türk Sigorta Şirketi	6.350	-
OOO Paşabahçe Mağazaları	146.726	213.473
Solvay Sodi	-	151.727
Paşabahçe USA Inc.	236.983	101.331
Mepa Merkezi Pazarlama A.Ş.	57	6.965
İstanbul Porselen Sanayii A.Ş.	-	2.181
Camiş Menkul Değerler A.Ş.	7.508	-
Due from personnel	3.016.944	1.456.679
Cromital S.P.A	6.509	-
Sudel Invest	2.462	-
Şişecam Shangai Trade Co. Ltd.	676.372	-
OJSC Form Mat	49.300	-
Other	8.520	1.414
	5.062.270	2.222.321

Due to related parties

Solvay Sodi	-	2.833.862
İstanbul Porselen Sanayii A.Ş.	2.621.535	2.360.102
Anadolu Anonim Türk Sigorta Şirketi	2.818.255	1.836.376
Avea İletişim Hizmetleri A.Ş.	45.449	-
İş Merkezleri Yönetim ve İşletim A.Ş.	330.522	-
Mepa Merkezi Pazarlama A.Ş.	6.782	-
İş Net Elekt. Bilgi Ür. Dağ. Tic. ve İlet. Hiz. A.Ş.	40.584	-
Solvay Şişecam Holding A.G.	538.787	-
Şişecam Shangai Trade Co. Ltd.	49.045	-
Dividend payables	250.007	305.336
Due to personnel	5.284.601	9.260.472
Other	125	-
	11.985.692	16.596.148

Interest income from related parties	2005	2004
İstanbul Porselen Sanayii A.Ş.	129	1.712
Mepa Merkezi Pazarlama A.Ş.	612	549
Paşabahçe USA Inc.	5.630	23.827
İş Bank GmbH	31.797	-
Paşabahçe Mağazaları B.V.	-	190.569
T.İş Bankası A.Ş.	9.513.469	527.472
	9.551.637	744.129

Interest expenses to related parties	2005	2004
İstanbul Porselen Sanayii A.Ş.	306.476	363.244
T.İş Bankası A.Ş.	876.608	150.063
Paşabahçe Mağazaları B.V.	-	270.708
Other	1.968	23.835
	1.185.052	807.850

Other income from related parties	2005	2004
Anadolu Anonim Türk Sigorta Şirketi	3.499.052	-
OOO Paşabahçe Mağazaları	80.718	129.215
T.İş Bankası A.Ş.	882.401	-
Other	66.962	-
	4.529.133	129.215

Other expenses to related parties	2005	2004
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	148.829	-
Anadolu Anonim Türk Sigorta Şirketi	368.124	-
T.İş Bankası A.Ş.	583.587	152.912
Şişecam Shanghai Trade Co. Ltd.	213.116	-
Tibaş Mensupları Munzam Sos. Güv. ve Yard. Vakfı	373.225	-
Other	162.851	43.031
	1.849.732	195.943

10. Other Receivables and Payables

	31 December 2005	31 December 2004
Current other receivables		
Other doubtful receivables	448.137	452.507
Provision for other doubtful receivables (-)	(442.858)	(392.907)
VAT carried forward	22.411.975	7.929.967
VAT receivable arising from export sales	11.549.172	5.706.782
Business advances given	5.358.961	-
Receivables from sale of Petrol Ofisi A.Ş. shares	24.668.135	-
Capital advances given	-	9.430.557
Other	4.806.964	4.523.821
	68.800.486	27.650.727
Non current other receivables		
Receivables from sale of Petrol Ofisi A.Ş. shares	12.334.066	-
Other receivables	-	581.152
	12.334.066	581.152

	31 December 2005	31 December 2004
Other Financial Liabilities		
Taxes and dues payable	13.825.669	16.863.370
Social security premiums payable	17.029.076	9.801.397
Restructured tax	2.539.769	1.229.028
Other liabilities	2.219.319	332.132
	35.613.833	28.225.927

11. Biological Assets

Biological assets are not a part of Group's activities.

12. Inventories

	31 December 2005	31 December 2004
Raw materials	131.214.235	104.752.870
Work in process	22.333.574	20.224.414
Finished goods	256.453.209	192.817.742
Trade goods	15.966.879	15.427.627
Order advances given	15.572.615	19.923.470
Other inventories	14.847.984	14.630.091
Allowance for impairment of inventories (-)	(738.572)	(534.607)
	455.649.924	367.241.607

Movements in the allowance for impairment of inventories during 2005 and 2004 are as follows:

	2005	2004
Opening balance	(534.607)	(356.022)
(Charge for the year)/reversal	(203.965)	(221.869)
Monetary gain	-	43.284
Closing balance	(738.572)	(534.607)

13. Receivables from Ongoing Construction Contracts and Progress Payments

None.

14. Deferred Tax Assets and Liabilities

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

The basis for the deferred tax are as follows:

	31 December 2005	31 December 2004
Deferred tax (assets)/liabilities:		
Restatement and depreciation differences tangible fixed assets	299.111.887	302.457.898
Retirement pay provision	(39.690.687)	(36.227.113)
Unused investment incentive	(28.280.997)	(25.462.471)
Carried forward tax losses	(21.103.841)	(25.107.654)
Non-real part of capitalized finance expenses	(4.668.198)	(4.492.874)
Restatement of inventories	(4.287.003)	(4.218.550)
Other	(4.369.457)	(2.931.286)
	196.711.704	204.017.950

Movement of deferred tax liabilities:	2005	2004
Opening balance	204.017.950	192.714.598
Monetary gain	-	34.633.748
Taxation charge/(benefit) on deferred tax	(7.306.246)	(23.330.396)
Closing balance	196.711.704	204.017.950

15. Other Current/Non Current Assets and Short Term/Long Term Liabilities

	31 December 2005	31 December 2004
Other current assets:		
Prepaid expenses	3.884.299	4.691.641
Income accruals	113.253	400.286
	3.997.552	5.091.927
Other non current assets:		
Prepaid expenses	1.205.926	179.838
Other	-	4.515
	1.205.926	184.353
Other short term liabilities:		
Other liabilities	2.510.504	5.730.980
Prepaid income	4.699	1.135.868
Expense accruals	341.119	3.143.445
Other short-term liabilities	109.639	46.327
	2.965.961	10.056.620
Other long term liabilities:		
Prepaid income	635.673	699.587
Deferred liabilities to government	1.080.816	-
Other long-term liabilities	254.046	249.585
	1.970.535	949.172

16. Financial Assets

	31 December 2005	31 December 2004
Unconsolidated subsidiaries	2.773.890	602.280
Investments in associates	78.969.842	-
Held to maturity investments	1.384.365	1.390.679
Available-for-sale investments	95.448.373	381.399.121
	178.576.470	383.392.080

The Group's shares in its unconsolidated subsidiaries are as follows:

	Share %	31 December 2005	Share %	31 December 2004
Şişecam China Ltd.	100,00	61.554	100,00	61.554
Mepa Merkezi Pazarlama A.Ş.	99,70	212.084	99,70	212.084
İstanbul Porselen Sanayii A.Ş.	99,87	8.576.838	99,87	8.576.838
Paşabahçe Glass GmbH	100,00	68.699	100,00	68.699
Topkapı Yatırım Holding A.Ş.	80,00	51.834	80,00	51.834
Şişecam Shanghai Trade Co. Ltd.	100,00	324.523	100,00	324.523
Paşabahçe USA Inc.	100,00	162	100,00	162
Paşabahçe Mağazaları B.V.	100,00	95.508	100,00	95.508
Cromital S.p.A.	50,00	2.171.610	-	-
Allowance for impairment of subsidiaries (-)		(8.788.922)		(8.788.922)
		2.773.890		602.280

Şişecam China Ltd., Paşabahçe Glass GmbH, Paşabahçe USA Inc., Paşabahçe Mağazaları B.V., Cromital S.p.A. and Şişecam Shanghai Trade Co. Ltd. are the subsidiaries which are incorporated internationally as to engage in the production, marketing and sales operations. The financial statements of these companies and Topkapı Yatırım Holding A.Ş. were not included in consolidation due to their immateriality compared to the consolidated financial statements.

Since Mepa Merkezi Pazarlama A.Ş. and İstanbul Porselen Sanayii A.Ş. are inactive, impairment is allocated to the amount of all their shares in the consolidated financial statements.

Investments in associates	Share %	31 December 2005	Share %	31 December 2004
Solvay Şişecam Holding AG (*)	21,44	69.805.676	-	-
OJSC Form Mat (**)	48,50	9.164.166	-	-
		78.969.842		-

(*) The Group has increased its share in Solvay Şişecam Holding AG, which is established in Austria, from % 19,13 to %21,44 by purchasing 24 shares that belong to EBRD on 15 April, 2005. Qualifying share which was classified as "available-for-sale asset" with an indexed value in the prior periods is included in the financial statements by using equity method in the current period. (Note 38).

(**) OJSC Form Mat is included by applying equity method in the consolidated financial statements in June 2005 (Note 38).

Held to maturity Investments

	Nominal Value	Maturity	31 December 2005	31 December 2004
Eurobond	1.000.000	Haziran 2010	1.384.365	1.390.679
Available-for-sale investments	Share %	31 December 2005	Share %	31 December 2004
Petrol Ofisi A.Ş. (1) (4)	-	-	4,05	62.731.526
Avea İletişim Hizmetleri A.Ş.	<1	86.830.954	<1	86.830.954
Trakya Yatırım Holding A.Ş. (2)	34,65	151.277.690	34,65	151.277.690
İş Factoring Finansman Hizmetleri A.Ş.	<1	7.344	<1	7.344
Solvay Şişecam Holding AG (3)	-	-	19,13	70.032.704
İş Yatırım Menkul Değerler A.Ş.	1,79	1.707.728	1,79	1.707.728
Anadolu Hayat Emeklilik Sigorta A.Ş. (1)	1,00	7.110.000	1,00	4.019.000
İş Finansal Kiralama A.Ş. (1)	<1	3.172.500	2,65	2.970.000
Yatırım Finansman Yatırım Ortaklığı A.Ş. (1)	8,00	728.000	8,00	407.520
Milli Reasürans T.A.Ş.	<1	201.104	<1	132.710
Efes Holding A.Ş.	-	-	<1	100.273
İş Merkezleri Yönetim ve İşletim A.Ş.	1,92	46.870	1,92	46.870
İş Gayrimenkul Yatırım Ortaklığı A.Ş. (1)	<1	83.151	<1	51.807
Camiş Yatırım Holding A.Ş.	<1	14.327	<1	14.327
İş Koray Tur. Orm. Mad. İnş. Tah. Tic. A.Ş.	<1	5.477	<1	5.477
Anadolu Turizm İnşaat Ticaret A.Ş.	<1	3.016	<1	3.016
UND Deniz Taşımacılığı A.Ş.	<1	116.084	<1	116.084
UN Gemicilik San. A.Ş.	<1	123.070	<1	82.989
UND Denizcilik A.Ş. (6)	-	-	3,20	208.542
UND Ro-Ro İşletmeleri A.Ş.	3,20	417.084	3,20	208.542
Kumsan Döküm Malz. San. Tic. A.Ş.	4,89	156.193	4,89	156.193
Taşel Türk Alkollü İçki Şarap End. Ltd.	-	-	10,00	214.697
Camser Seracılık	10,00	53.704	10,00	53.704
Other	-	5.902	-	19.424
Allowance for impairment of available-for-sale investments (5)		(156.611.825)		-
		95.448.373		381.399.121

- (1) Indicates companies with shares publicly traded on Istanbul Stock Exchange (ISE).
- (2) Trakya Yatırım Holding A.Ş. is controlled by İş Bankası. Since the Group has neither significant influence nor power to control over the investment, it was not included in consolidation and as of 31 December 2004 and it was presented by its inflation adjusted value.
- (3) Equity method was applied on 31 December 2005 and it was presented under "Investments in Associates".
- (4) All the shares of Petrol Ofisi A.Ş. having a rate of %4,05 with a nominal amount of YTL 16.905.377,77 were sold to Doğan Şirketler Grubu Holding A.Ş. in consideration of USD 56.623.829 on 2 September 2005.
- (5) YTL 56.994.689 of allowance for impairment is allocated to Avea İletişim Hizmetleri A.Ş., and YTL 99.617.136 of allowance for impairment is allocated to Trakya Yatırım Holding A.Ş. (Allowance for Trakya Yatırım Holding A.Ş., is allocated as the allowance for 3,2676% of Avea İletişim Hizmetleri A.Ş.'s shares and this matter was disclosed by the company as a special announcement on 15 February, 2006).
- (6) As of 1 March 2005, UND Denizcilik A.Ş. was merged under the legal entity of UND Ro-Ro İşletmeleri A.Ş.

17. Positive/Negative Goodwill

Positive goodwill (net)	Cost	Accumulated Amortization	Net
As of 1 January 2005	33.938.386	(13.173.516)	20.764.870
Charge for the year	-	-	-
As of 31 December 2005	33.938.386	(13.173.516)	20.764.870

Negative goodwill (net) (*)	Cost	Accumulated Amortization	Net
As of 1 January 2005	(212.297.402)	33.452.730	(178.844.672)
Transfer to previous year profit	212.297.402	(33.452.730)	178.844.672
As of 31 December 2005	-	-	-

(*) The net carrying value of negatif goodwill arising prior to the acquisitions is extracted from the financial statement under IFRS 3 and accounted under "Retained Earnings" (Note 3.h).

18. Investment Property

None.

19. Tangible Assets

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Other tangible assets	Construction in progress & advances given	Total
Acquisition Cost									
Opening balance, 1 January 2005	62,257,183	155,510,551	771,969,821	4,792,621,045	28,129,302	211,604,845	113,905,279	62,120,192	6,198,118,218
Exchange differences	(106,087)	-	(3,458,553)	(2,968,886)	(126,851)	(247,716)	(2,803)	(7,454,514)	(14,365,410)
Additions	1,789,371	641,336	2,764,140	67,354,890	3,656,011	8,612,412	15,881,776	475,312,256	576,012,192
Disposals	(19,198)	(110,361)	(1,197,724)	(123,131,871)	(790,515)	(2,691,043)	(1,154,043)	(23,244,016)	(152,338,771)
Transfers from CIP	370,370	1,169,432	24,214,640	114,395,768	1,281,804	4,383,263	970,008	(146,785,285)	-
Closing balance, 31 December 2005	64,291,639	157,210,958	794,292,324	4,848,270,946	32,149,751	221,661,761	129,600,217	359,948,633	6,607,426,229
Accumulated Depreciation									
Opening balance, 1 January 2005	-	(55,626,074)	(229,034,060)	(3,310,660,920)	(18,429,771)	(165,334,511)	(58,529,848)	-	(3,837,615,184)
Exchange differences	-	-	1,119,616	1,029,032	145,993	81,603	158	-	2,376,402
Charge for the year	-	(3,732,720)	(16,256,222)	(207,892,021)	(3,346,987)	(10,594,212)	(19,337,985)	-	(261,160,147)
Disposals	-	32,037	678,951	101,639,286	511,578	2,084,784	466,383	-	105,413,019
Closing balance, 31 December 2005	-	(59,326,757)	(243,491,715)	(3,415,884,623)	(21,119,187)	(173,762,336)	(77,401,292)	-	(3,990,985,910)
Net book value at 31 December 2005	64,291,639	97,884,201	550,800,609	1,432,386,323	11,030,564	47,899,425	52,198,925	359,948,633	2,616,440,319
Net book value at 31 December 2004	62,257,183	99,884,477	542,935,761	1,481,960,125	9,699,531	46,270,334	55,375,431	62,120,192	2,360,503,034

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Other tangible assets	Construction in progress & advances given	Total
Acquisition Cost									
Opening balance, 1 January 2004	61,468,014	154,511,901	701,043,277	4,868,753,070	29,109,144	206,782,671	98,122,572	33,557,736	6,153,348,385
Effect of acquisition	-	-	43,729,650	27,669,691	3,019,600	4,036,017	-	4,937,031	83,391,989
Exchange differences	(367)	-	(4,255,844)	(4,750,424)	(55,583)	(347,264)	657,822	135,524	(8,616,136)
Additions	833,355	455,363	29,212,818	53,190,918	1,877,323	4,760,039	10,843,927	167,065,951	268,239,694
Disposals	(43,819)	(1,384,369)	(7,615,320)	(253,620,315)	(6,321,271)	(9,570,726)	(6,173,270)	(13,516,624)	(298,245,714)
Transfers from CIP	-	1,927,656	9,855,240	101,378,105	500,089	5,944,108	10,454,228	(130,059,426)	-
Closing balance, 31 December 2004	62,257,183	155,510,551	771,969,821	4,792,621,045	28,129,302	211,604,845	113,905,279	62,120,192	6,198,118,218
Accumulated Depreciation									
Opening balance, 1 January 2004	-	(52,673,328)	(184,884,725)	(3,342,478,947)	(18,421,914)	(160,409,013)	(40,684,240)	-	(3,799,552,167)
Effect of acquisition	-	-	(35,621,293)	(14,704,108)	(2,571,778)	(3,984,024)	-	-	(56,881,203)
Exchange differences	-	-	187,772	1,552,068	23,822	8,970	(250,922)	-	1,521,710
Charge for the year	-	(3,651,924)	(15,401,243)	(198,654,859)	(3,289,678)	(9,962,100)	(18,508,272)	-	(249,468,076)
Disposals	-	699,178	6,685,429	243,624,926	5,829,777	9,011,656	913,586	-	266,764,552
Closing balance, 31 December 2004	-	(55,626,074)	(229,034,060)	(3,310,660,920)	(18,429,771)	(165,334,511)	(58,529,848)	-	(3,837,615,184)
Net book value at 31 December 2004	62,257,183	99,884,477	542,935,761	1,481,960,125	9,699,531	46,270,334	55,375,431	62,120,192	2,360,503,034
Net book value at 31 December 2003	61,468,014	101,838,573	516,158,552	1,526,274,123	10,687,230	46,373,658	57,438,332	33,557,736	2,353,796,218

20. Intangible Assets

	Rights	Other intangible assets	Total
Acquisition cost			
Opening balance, 1 January 2005	24.093.039	4.384.624	28.477.663
Exchange differences	1.357	-	1.357
Additions	756.558	248.474	1.005.032
Disposals	(70.982)	(576)	(71.558)
Closing balance, 31 December 2005	24.779.972	4.632.522	29.412.494
Accumulated amortization			
Opening balance, 1 January 2005	(20.947.147)	(1.471.699)	(22.418.846)
Exchange differences	(219)	-	(219)
Charge for the year	(968.237)	(233.515)	(1.201.752)
Disposals	20.743	576	21.319
Closing balance, 31 December 2005	(21.894.860)	(1.704.638)	(23.599.498)
Net book value at 31 December 2005	2.885.112	2.927.884	5.812.996
Net book value at 31 December 2004	3.145.892	2.912.925	6.058.817
	Rights	Other intangible assets	Total
Acquisition cost			
Opening balance, 1 January 2004	23.080.978	4.382.643	27.463.621
Exchange differences	(13.983)	-	(13.983)
Additions	1.158.226	1.981	1.160.207
Disposals	(132.182)	-	(132.182)
Closing balance, 31 December 2004	24.093.039	4.384.624	28.477.663
Accumulated amortization			
Opening balance, 1 January 2004	(20.216.915)	(1.339.617)	(21.556.532)
Exchange differences	2.768	-	2.768
Charge for the year	(860.218)	(132.082)	(992.300)
Disposals	127.218	-	127.218
Closing balance, 31 December 2004	(20.947.147)	(1.471.699)	(22.418.846)
Net book value at 31 December 2004	3.145.892	2.912.925	6.058.817
Net book value at 31 December 2003	2.864.063	3.043.026	5.907.089

21. Advances Received

	31 December 2005	31 December 2004
Advances received	6.422.650	5.731.812

22. Pension Plans

The Group has no liabilities regarding pension plans.

23. Provisions

	31 December 2005	31 December 2004
Short term debt provisions:		
Current corporate tax provision	68.250.957	63.068.226
Prepaid taxes and funds (-)	(54.412.764)	(45.844.355)
Provision of cost expense	5.367.717	3.044.874
Other debt provisions	218.007	202.006
	19.423.917	20.470.751

Long term debt provisions:

Retirement pay provision:

Under the laws in Turkey, the Group is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). The retirement pay provision at 31 December 2005 is subject to YTL 1.727,15 retirement pay provision ceiling per month (31 December 2004: YTL 1.574,74).

Revised IAS 19 "Employee Benefits" was firstly adopted in 1999. Without changing the fundamental adopting principles, this revised standard clarifies the accounting of the liability which is taken into consideration for future periods:

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

Consequently, in the accompanying financial statements as of 31 December 2005, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the respective balancesheet dates have been calculated assuming an annual inflation rate of 6,175% and a discount rate of 12%.

The movement of the retirement pay provision is as follows:

	2005	2004
Opening balance	120.757.042	121.119.755
Charge for the year	26.819.951	29.475.717
Retirement pay paid	(15.268.826)	(15.113.180)
Monetary gain	-	(14.725.250)
Closing balance	132.308.167	120.757.042

24. Minority Interest

	2005	2004
Opening balance	641.892.673	600.210.598
Increase in minority interest during the year	8.451.007	16.376.678
Dividends paid	(37.163.217)	(35.448.927)
Minority interest on operating results of the year	61.394.525	60.754.324
Closing balance	674.574.988	641.892.673

25. Share Capital/Investment Capital Elimination

The structure of the share capital as of 31 December 2005 and 31 December 2004 is as follows:

Shareholders	(%)	31 December 2005	(%)	31 December 2004
T.İş Bankası A.Ş.	66,1	279.962.603	66,1	279.962.603
Efes Holding A.Ş.	4,0	17.241.537	4,0	17.241.537
Milli Reasürans T.A.Ş.	-	-	<1	21.174
Publicly traded portion	29,9	126.295.860	29,9	126.274.686
Historical capital	100,0	423.500.000	100,0	423.500.000
Inflation adjustment		21.121.259		21.121.259
Restated capital		444.621.259		444.621.259
Investment capital elimination		(620.857)		(620.857)
Adjusted capital		444.000.402		444.000.402

26, 27, 28. Reserves, Retained Earnings/Losses

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

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

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

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

In accordance with the Communiqué No: 25 of Series XI, effective from 1 January 2004, companies are obliged to distribute at least 30% of their distributable profit arising from 2005 activity, which is calculated based on the financial statements prepared in accordance with IFRS. Based on the decision of the General Assembly, the distribution of a minimum of 30% of the distributable profit can be made as cash or as bonus share or as a combination of a certain percentage of cash and bonus shares. However, if the first dividend amount is less than 5% of paid-in capital, point at issue amount can be left in consortium structure without distribution.

The profit amount which is included in calculation of net distributable profit in the consolidated financial statements do not include profit of its subsidiaries, jointventures and associates that appear in consolidated financial statements, yet has no general assembly minute regarding profit distribution .

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

Besides, according to Capital Market Board Decision, dated as 25 February 2005, numbered 7/242, the distributable amount should be determined in compliance with the arrangements made by Capital Market Board about the minimum obliged distributable amount, whole of the calculated amount of earnings in the case met with the legal reserves, the total amount, but in the case of distributable amount is not totally met with the reserves, this time, distributable amount will be the net taken place in the legal records. Financial statements prepared in compliance with Capital Market Board Standards or in the case of period loss in any of the accounts, there will be no earnings distribution.

In accordance with the Communiqué No: 25 of Series XI, "Capital, Share Premium, Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves" under shareholders equity are stated with their registered amounts in the balance sheet on the face of inflation adjusted financial statements, and their adjusted amounts are presented in total in shareholders' equities under "Inflation Adjustment of Equity Items".

Nominal and adjusted amounts and inflation adjustment differences of shareholders' equity, as of 31 December 2005 and 31 December 2004 are as follows:

		Inflation Adjustment Differences	Adjusted Amounts
31 December 2005	Nominal		
Share Capital	423.500.000	20.500.402	444.000.402
Share Premium	2.157.676	3.299.800	5.457.476
Revaluation Reserve of Available-for-sale Investments	8.168.910	-	8.168.910
Legal Reserves	69.363.357	157.565.391	226.928.748
Statutory Reserves	2.040.415	14.362.580	16.402.995
Extraordinary Reserves	188.262.565	202.654.510	390.917.075
	693.492.923	398.382.683	1.091.875.606

Nominal amount and adjusted inflation differences are classified in the financial statements footnote of 31 December 2004. This classification is made for adjusted representation differences between previous year nominal value and adjusted shareholders' equity inflation differences and the classification does not have any effect on the adjusted values and other accounts of the financial statements. The decreasing of "Adjusted Shareholders Equity Inflation Differences" comes from the offsetting of the subsidiaries' losses from previous year. Dividend amount of 2004 which is distributed in 2005 is YTL 30.492.000 and is paid YTL 0,072 per YTL 1 nominal values of share.

		Inflation Adjustment Differences	Adjusted Amounts
31 December 2004	Nominal		
Share Capital	423.500.000	20.500.402	444.000.402
Share Premium	2.157.676	3.299.798	5.457.474
Revaluation Reserve of Available-for-sale Investments	8.892.311	-	8.892.311
Legal Reserves	48.179.482	157.565.391	205.744.873
Statutory Reserves	1.350.669	14.362.580	15.713.249
Extraordinary Reserves	119.879.746	258.352.199	378.231.945
	603.959.884	454.080.370	1.058.040.254

29. Foreign Currency Position

The table below presents the Group's foreign currency position risk as of 31 December 2005 and 31 December 2004. The amounts of assets and liabilities in foreign currencies held by the Group are given as follows:

	USD	EUR	RUR	YTL equivalent of other FC	Equivalent of YTL
31 December 2005	000	000	000		
Cash and cash equivalents	52.844	148.347	81.650	3.099.840	313.314.001
Held to maturity investments	1.032	-	-	-	1.384.365
Trade receivables (net)	37.428	56.248	8.278	7.922.479	147.823.182
Bank loans	(145.457)	(364.006)	(24.350)	-	(774.167.893)
Trade payables (net)	(5.436)	(26.820)	(273.873)	(1.764.474)	(64.403.769)
Net foreign currency position:					(376.050.114)

	USD	EUR	RUR	YTL equivalent of other FC	Equivalent of YTL
31 December 2004	000	000	000		
Cash and cash equivalents	39.829	122.465	6.107	7.723.595	285.194.649
Held to maturity investments	1.036	-	-	-	1.390.679
Trade receivables (net)	45.085	59.857	171.262	13.882.121	192.104.162
Bank loans	(190.462)	(167.300)	(676)	(766.699)	(562.043.266)
Trade payables (net)	(4.258)	(17.516)	(101.385)	(6.146.039)	(48.811.666)
Net foreign currency position:					(132.165.442)

30. Government Incentives and Grants

Benefits from government grants and incentives are disclosed in detail in Note 3.p.

31. Commitments and Contingencies

	31 December 2005	31 December 2004
Letters of guarantee given	33.009.606	19.395.389
Promissory notes and collaterals given (*)	320.572.072	285.614.590
Subsidiary share purchase commitment (**)	59.107.109	13.421.047
Export commitments	323.860.997	189.811.634
Other	2.582.344	396.183
	739.132.128	508.638.843

(*) Includes the securities given in consideration of foreign investment loans given by the International Finance Corporation (IFC).

(**) In 1997, Soda San A.Ş., Solvay and European Bank for Reconstruction and Development (EBRD), purchased the majority interest of Solvay Sodi, which is a participation of Solvay Şişecam Holding A.G. and was privatized in Bulgaria. EBRD has been in this participation financially and it has a USD 40 million contribution to Solvay Şişecam Holding A.G. participation. A portion of EBRD shares amounting to USD 30 million was sold to Solvay and also a portion of EBRD shares amounting to USD 10 million was sold to T.Şişe ve Cam Fabrikaları A.Ş. (the "Company") in order to be given as options to both participants. An annual interest settlement is paid over a fix rate to

EBRD to compensate this option. The expiry date of the option which was valid till July, 2002 is extended until April, 2007 and become incremental. Accordingly, this option is required to be used in 2005, 2006 and 2007. Therefore, in consideration of USD 3.950.617,28 the Company purchased 24 shares, which are included in the total shares of Solvay Şişecam Holding AG, pertaining to EBRD on 15 April, 2005 and at the same date, those shares were sold to its subsidiary, Soda Sanayii A.Ş. in consideration of the same amount in cash.

- As of 31 December 2005 the total amount of the claims and cases on trial against the Group is YTL 8.189.538 (31 December 2004:YTL 7.500.007).
- The Company is jointly and severally the guarantor on Trakya Glass Bulgaria EAD's USD 100 million investment loan consisting USD 35 million granted by IFC and USD 65 million granted by the syndication banks led by IFC.
- The Company signed a loan agreement with Societe Generale S.A amounting to Euro 20 million for Anadolu Cam Yenişehir Sanayii A.Ş. in order to provide finance for purchasing an oven for glass packaging. The amount borrowed has a maturity of 5 years having 2 years of non-payment period. The Company and Anadolu Cam Sanayii A.Ş. are jointly and severally guarantors on behalf of the loan borrowed for Anadolu Cam Sanayii A.Ş.
- The Company's subsidiary, Soda Sanayii A.Ş. acquired 3% of shares pertaining to Sintan which has a capital of YTL 900.000 to be operated as to produce leather chemicals and its marketing domestically and internationally in the İzmir Menemen Leather FreeTrade Zone.
- The Company's subsidiary, Soda Sanayii A.Ş. has given a right of construction to another subsidiary, Camış Elektrik Üretimi A.Ş. to use 28.010 m² of its land for 30 years.

- **Investment in associates commitment contract**

Trakya Glass Bulgaria EAD (the "Company"), signed an agreement with IFC on 25 June, 2004. Under this agreement, the company has the right to require IFC to purchase its shares in equity amounting to USD 7.500.000 which corresponds 1.000 BGN per share. Besides, if IFC wishes, it has the right to participate in its own share.

As of 31 December, 2004 the Company's subsidiary, Balsand B.V. has a commitment of purchasing the 7,58% shares of EBRD and Norum, the subsidiaries of OJSC Pokrov Glass Plant which 90,89% of shares are owned by Balsand B.V. in consideration of USD 1.500.000.

- **Stock holding commitment and back payment privilege**

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

According to this agreement, Trakya Cam Sanayii A.Ş. has a legal obligation of having at least 75% of Trakya Cam Investment B.V.'s total shareholders equity solely or together with Paşabahçe Cam Sanayii A.Ş. Also, Trakya Cam Investment B.V has a legal obligation of having at least 75% of Trakya Glass Bulgaria EAD's total shareholders equity.

The Group's loan debt, that consists the back payment of interest and other expenses to IFC has a priority compared to the technical service agreement signed with Trakya Cam Sanayii A.Ş., Trakya Glass Bulgaria and Paşabahçe Cam Sanayii A.Ş. Also dividend payment, additional investment expense and leasing agreements of Bulgaria EAD need certain time and depend on arriving at financial ratios determined previously.

32. Business Mergers

There were no business mergers in the current period.

33. Segmental Financial Reporting

31 December 2005	Flat Glass	Glassware	Glass Packaging	Chemicals	Other	Holding Company	Consolidation Eliminations	Consolidated
External sales	583,917,589	632,965,105	590,841,459	403,633,574	6,820,924	2,942,607	-	2,221,121,258
Among segments	811,657	36,237,329	7,828,704	185,677,200	1,105,929,606	35,045,172	(1,371,529,668)	-
Inter-segment sales	6,723,702	140,365,254	7,955,394	27,161,170	-	-	(182,205,520)	-
Total net sales	591,452,948	809,567,688	606,625,557	616,471,944	1,112,750,530	37,987,779	(1,553,735,188)	2,221,121,258
Cost of sales	(373,264,713)	(568,718,956)	(438,084,111)	(524,923,737)	(1,067,261,415)	(19,512,782)	1,491,230,049	(1,500,535,665)
Operating expenses	(96,526,740)	(183,300,738)	(75,534,284)	(78,663,237)	(41,718,840)	(16,717,810)	61,484,128	(430,977,521)
Operating profit	121,661,495	57,547,994	93,007,162	12,884,971	3,770,275	1,757,187	(1,021,012)	289,608,072
Other operating income and profit	19,854,419	11,377,332	12,613,786	39,601,747	19,908,442	87,660,949	(134,539,502)	56,477,173
Other operating loss and expenses	(12,290,722)	(20,935,087)	(23,811,561)	(13,991,454)	(1,528,059)	(156,714,104)	4,828,428	(224,442,559)
Finance costs (net)	(13,790,929)	(3,160,025)	(6,209,348)	4,631,336	6,861,806	2,491,198	4,019,969	(5,155,993)
Profit before tax	115,434,263	44,830,214	75,600,039	43,126,600	29,012,464	(64,804,770)	(126,712,117)	116,486,693
Minority interest	-	-	-	-	-	-	(61,394,525)	(61,394,525)
Income tax expense	(31,068,885)	(7,277,434)	(19,533,297)	(1,594,726)	(1,889,055)	(1,419,567)	1,838,249	(60,944,715)
Net profit	84,365,378	37,552,780	56,066,742	41,531,874	27,123,409	(66,224,337)	(186,268,393)	(5,852,547)
Other informations								
Tangible and intangible assets purchases	225,500,443	36,038,137	219,369,900	80,183,677	188,183	1,372,831	-	562,653,171
Tangible and intangible assets depreciation and amortization	(62,898,424)	(77,678,458)	(69,329,620)	(46,716,620)	(464,085)	(2,898,509)	-	(259,985,716)
Balance sheet informations								
Total assets	1,625,414,358	1,199,594,782	1,284,222,069	1,054,400,002	948,213,741	1,217,346,694	(3,143,371,111)	4,185,820,535
Total liabilities	548,980,308	405,692,227	468,577,333	270,922,110	638,011,802	54,875,817	(1,006,896,603)	1,380,162,994

31 December 2004	Flat Glass	Glassware	Glass Packaging	Chemicals	Other	Holding Company	Consolidation Eliminations	Consolidated
External sales	567,238,629	668,773,214	549,402,412	394,954,305	3,900,336	1,304,091	-	2,185,572,987
Among segment sales	121,058	10,367,017	3,482,437	179,912,385	1,196,991,822	32,717,711	(1,423,592,430)	-
Inter-segment sales	19,519,072	140,677,372	5,056,571	24,437,129	-	-	(189,690,144)	-
Total net sales	586,878,759	819,817,603	557,941,420	599,303,819	1,200,892,158	34,021,802	(1,613,282,574)	2,185,572,987
Cost of sales	(366,737,497)	(577,695,354)	(389,063,998)	(521,214,526)	(1,154,929,064)	(18,175,834)	1,556,324,634	(1,471,491,640)
Operating expenses	(90,183,582)	(180,339,956)	(69,029,034)	(76,875,734)	(46,680,185)	(16,245,322)	79,469,591	(399,884,221)
Operating profit	129,957,680	61,782,293	99,848,388	1,213,559	(717,091)	(399,354)	22,511,651	314,197,126
Other operating income and profit	18,604,453	16,694,023	20,795,401	17,327,265	27,520,067	91,910,349	(145,111,204)	47,740,354
Other operating loss and expense	(13,249,728)	(26,488,157)	(23,351,606)	(8,398,352)	(7,577,567)	(95,355)	6,330,805	(72,829,960)
Finance costs (net)	(1,782,629)	(12,516,381)	3,703,415	(1,302,852)	8,151,661	(8,053,394)	-	(11,800,180)
Profit before tax	133,529,776	39,471,778	100,995,598	8,839,620	27,377,070	83,362,246	(116,268,748)	277,307,340
Minority interest	16,108,675	33,193,740	(2,602,917)	16,519,825	(1,394,488)	9,537,246	(3,320,346)	68,041,735
Income tax expense	-	-	-	-	-	-	(60,754,324)	(60,754,324)
Net profit	(44,511,581)	(21,778,247)	(19,618,613)	(4,940,921)	(1,684,778)	(4,581,209)	(586,625)	(97,701,974)
Other informations	105,126,870	50,887,271	78,774,068	20,418,524	24,297,804	88,318,283	(180,930,043)	186,892,777
Tangible and intangible assets purchases	102,156,202	51,132,884	174,917,131	14,764,626	353,740	837,188	-	344,161,771
Tangible and intangible assets depreciation and amortization	(58,099,724)	(76,649,396)	(119,792,130)	(47,646,128)	(646,643)	(2,983,080)	-	(305,817,101)
Balance sheet informations								
Total assets	1,457,733,468	1,172,950,411	1,003,526,636	987,139,518	809,705,777	1,339,007,744	(3,030,357,209)	3,739,706,345
Total liabilities	427,531,914	389,131,889	251,171,222	238,297,317	509,019,947	79,820,532	(789,100,870)	1,105,871,951

Geographical Segments

31 December 2005

	Turkey	Russia and Georgia	Europe	Other	Total	Consolidation Eliminations	Consolidated
Net sales	3.378.787.026	157.324.700	236.171.297	2.573.423	3.774.856.446	(1.553.735.188)	2.221.121.258
Total assets	6.370.031.281	342.442.142	615.769.210	949.013	7.329.191.646	(3.143.371.111)	4.185.820.535
Tangible and intangible assets purchases	256.548.502	130.489.174	175.524.298	91.197	562.653.171	-	562.653.171

31 December 2004

	Turkey	Russia and Georgia	Europe	Other	Total	Consolidation Eliminations	Consolidated
Net sales	3.527.696.207	125.731.468	143.150.469	2.277.417	3.798.855.561	(1.613.282.574)	2.185.572.987
Total assets	6.182.984.082	208.886.230	377.072.119	1.121.123	6.770.063.554	(3.030.357.209)	3.739.706.345
Tangible and intangible assets purchases	160.239.760	145.528.963	36.738.717	1.654.331	344.161.771	-	344.161.771

34. Events After the Balance Sheet Date

- Merger of Camiř Sigorta Hizmetleri A.ř. and Cam Ürünleri İşleme Sanayii ve Ticaret A.ř. with Cam Pazarlama A.ř., which are both subsidiaries of the Group, was decided on 10 March 2006, in the board meeting.
- The Company signed a loan agreement with the London Branch of West LB AG amounting to Euro 21million in order to be used in the financing of its subsidiaries Pařabahçe Cam Sanayii ve Ticaret A.ř. and Soda Sanayii A.ř. The amount borrowed has a maturity of 5 years having 2 years of non-payment period. Pařabahçe Cam Sanayii ve Ticaret A.ř. is the guarantor of the Euro10 million and Soda Sanayii A.ř. is the other guarantor of the Euro 11 million portion of the loan borrowed.
- The Company signed a loan agreement with Calyon Bank amounting to USD 25 million in order to be used in the financing of its subsidiaries Pařabahçe Cam Sanayii ve Ticaret A.ř. and Soda Sanayii A.ř. The amount borrowed has a maturity of 5 years having 2 years of non-payment period. Pařabahçe Cam Sanayii ve Ticaret A.ř. is the guarantor of the USD 13 million and Soda Sanayii A.ř. is the other guarantor of the USD 12 million portion of the loan borrowed.
- In the board meeting of Anadolu Cam Sanayii A.ř., one of the Group's subsidiary which was held on 2 March, 2006, the board has decided to participate USD 8 million capital increase of JSC Mina, which is a subsidiary of Anadolu Cam Sanayii A.ř, owned by 80.64% of its shares, by using its privileged rights amounting to USD 6.451.200 and also to use all unused privileged rights amounting to USD 1.548.800 that were not used by other shareholders.
- The useful economic life of the Glass Packaging Company situated in Bayramođlu Exit Çayırova / Gebze which was incorporated in 1995 having a capacity of 60.000 ton per year has ended. The renewal of the glass oven was cancelled and the operations in Çayırova factory has been ceased as of 5 March, 2006. As a result of this close down, as of that date, termination benefits for 158 employees were paid. In accordance with the related legislation under the Labour Law numbered 4857, an announcement was made to Turkish Employment Organization.
- The construction of the Company's subsidiary, Anadolu Cam Yeniřehir Sanayii A.ř.'s glass packaging oven having a capacity of 120.000 ton per year was completed and it was put into work on 16 January 2006. The glass packaging oven has a cost of USD 40 million.

Sale profit amounting to YTL 538.624,24 resulted in the disposal of the land and building of the Company's subsidiary, Soda Sanayii A.ř. in Tuzla Industrial Leather Trade Zone will be added to capital and the date of capital increase will be set later.

35. Discontinued Operations

There are no discontinued operations as of the balance sheet date.

36. Revenue

Net sales	2005	2004
Domestic sales	1.523.126.493	1.447.951.094
Export sales	958.824.492	994.579.294
Other revenues	1.809.519	1.350.045
Sales returns	(10.622.769)	(10.930.916)
Sales discounts	(172.435.042)	(160.073.474)
Other deductions from sales	(79.581.435)	(87.303.056)
Net sales	2.221.121.258	2.185.572.987
Cost of sales	2005	2004
Raw materials used	(776.368.676)	(783.650.681)
Direct labor attributable to production	(137.013.335)	(136.961.565)
Production overheads	(231.878.827)	(246.337.366)
Depreciation expenses	(205.133.876)	(154.261.009)
Change in work-in-progress inventories	1.582.451	3.065.822
Change in finished goods inventories	57.020.299	(22.945.976)
Cost of good sold	(1.291.791.964)	(1.341.090.775)
Cost of merchandises sold	(185.815.759)	(113.785.299)
Cost of services rendered (*)	(14.006.507)	(11.241.797)
Cost of other revenues	(8.921.435)	(5.373.769)
	(1.500.535.665)	(1.471.491.640)

(*) Depreciation expense recognized as cost of service given during 01.01.2005-31.12.2005 is YTL 2.418.022.

37. Operating Expenses

	2005	2004
Indirect material expenses	(11.028.036)	(9.348.266)
Personnel expenses	(166.210.146)	(164.234.279)
Outsourced expenses	(188.190.666)	(131.623.498)
Sundry operating expenses	(27.289.796)	(61.077.029)
Depreciation and amortization expenses	(38.258.877)	(33.601.149)
	(430.977.521)	(399.884.221)

38. Other Operating Income/(Expenses) and Profit/(Loss)

Other operating income and profit	2005	2004
Dividend income	5.268.048	6.739.680
Commission income	280.820	877.197
Provisions released	3.290.752	3.152.758
Sales profit available-for-sales assets	16.487.412	-
Other ordinary income and profits	31.150.141	36.970.719
	56.477.173	47.740.354
Other expenses and losses		
Commission expenses	(563.379)	(210.516)
Provision expenses (*)	(161.260.261)	(6.286.961)
Idle capacity expenses (**)	(18.655.040)	(34.485.799)
The effect of equity method (***)	(1.245.206)	-
Other ordinary expenses and losses	(42.718.673)	(31.846.683)
	(224.442.559)	(72.829.959)

(*) An amount of YTL 56.994.689 pertaining to Avea İletişim Hizmetleri A.Ş and an amount of YTL 99.617.136 pertaining to Trakya Yatırım Holding A.Ş. consist of allowance for provision (provision for Trakya Yatırım Holding A.Ş. is subject to 3,2676% of its interest share in Avea İletişim Hizmetleri A.Ş. and this is disclosed as a special case on 15 February 2006).

(**) For the period 01.01.2005-31.12.2005, depreciation expense within the idle capacity expense is YTL 14.174.941 (2004: YTL 20.044.257)

(***) The effect of equity method:	2005	2004
Solvay Şişecam Holding A.G.	(1.877.822)	-
OJSC Form Mat	632.616	-
	(1.245.206)	-

39. Finance Expenses

	2005	2004
Interest income	28.731.905	28.218.669
Discount income/(expenses) (net)	(753.904)	(2.209.517)
Exchange gains/(losses) (net)	(2.218.861)	39.052.347
Cost of borrowings	(30.915.133)	(76.861.680)
	(5.155.993)	(11.800.181)

40. Net Monetary Gain/Loss

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

41. Taxation

Corporate tax:

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

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

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

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

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

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and the Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption.

If companies fail to make a profit or incur losses, any investment allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

Provisions for taxation as at 31 December 2005 and 31 December 2004 are as follows:

	31 December 2005	31 December 2004
Current corporate tax	(68.250.957)	63.068.226)
Deferred tax charge/(benefit)	7.306.242	(34.633.748)
Provision for taxation	(60.944.715)	(97.701.974)
	2005	2004
Reconciliation of taxation:		
Profit before taxation and minority interest	116.486.693	345.349.075
Effective tax rate	%30	%33
Expected taxation	34.946.008	113.965.195
Tax effects of:		
- Undeductible expenses	16.547.025	12.736.612
- Dividends and other non-taxable income	(42.322.184)	(55.608.061)
- Carried forward tax losses	47.639.990	(3.006.504)
- Investment incentives	(21.402.661)	(14.932.864)
- Monetary gain/(loss) non-taxable/non-deductible	(12.917.960)	8.315.234
- Consolidation adjustments	38.013.635	39.464.393
- Foreign subsidiaries subject to different tax rates	440.862	(3.232.031)
Taxation per statement of income	60.944.715	97.701.974

42. Earnings per Share

As of 31 December 2005 and 31 December 2004 the Company's weighted average number of shares and computation of earnings per share (which corresponds to a share amounting to YTL 1) set out here are as follows:

	31 December 2005	31 December 2004
Weighted average number of shares outstanding	423.500.000	409.908.511
Net profit	(5.852.547)	186.892.777
Earnings/(loss) per share (corresponding to a share amounting to YTL 1)	(0,01)	0,46

43. Statement of Cash Flows

The cash flow statement is presented with the financial statements.

The change in working capital is as follows:

	2005	2004
Trade receivables	(14.978.836)	(24.166.458)
Inventories	(88.612.280)	(17.630.466)
Due from related parties	(1.279.684)	(6.428)
Other receivables and current assets	(41.675.851)	(5.672.195)
Trade payables	59.492.513	3.052.951
Due to related parties	(634.585)	2.128.957
Advances taken	690.837	(625.447)
Other payables and expense accruals	(1.335.314)	(13.584.328)
	(88.333.200)	(56.503.414)

44. Other Issues Required to be Explained that Affect Consolidated Financial Statements Importantly or to Make Consolidated Financial Statements Clear, Understandable and Interpretable

None.

Türkiye Şişe ve Cam Fabrikaları A.Ş.

Corporate Governance Compliance Report

1. Declaration to Comply with Principles of Corporate Governance

This report articulates, in the framework of the regulations, decisions and principles exacted by Capital Markets Board(CMB) Legislation, Company Articles of Association(AoA) and CMB Corporate Governance Principles, the manner in which relations with shareholders and stakeholders should be carried out, identification of the tasks and responsibilities of the Board of Directors, its managers and its committees, the following responsibilities of Türkiye Şişe ve Cam Fabrikaları A.Ş. (Şişecam).

Established in 1935 by Türkiye İş Bankası with the directive of Atatürk, Şişecam first met the glass products demand of the country, then entered the global market forcefully in 1960's following the motto "Our market is the world", going on to diversify its activities to grow rapidly in the 70's and 80's.

Şişecam is an industrial group that produces glass and chemicals. Producing flat glass, glassware, glass packaging and glass fiber as well as soda and chromium chemicals, Şişecam is a powerful and leading manufacturer in its field. Due to its claim to being a global corporate entity in its field of operations, Şişecam Group's management principles are; equality, transparency, accountability and responsibility. A clear evidence of these principles is the present position of Şişecam, with its size, specialization and its highly competitive place among the Europe's and the world's leading producers of its field. Şişecam's strengths that have brought it to its position today, its modern management, industrialism, high level of institutionalization, its focus on the market and R&D, are also the guarantee of its bright future. Şişecam Group intends to reinforce its vision of leadership in its vital geography in its operational field, with the support of principles of corporate governance.

In the period that has ended on 31.12.2005, the company has fully complied with its responsibilities towards its share and stakeholders in the framework of the principles of corporate governance. Regarding the extension of the right to information of the shareholders, a section on "Investor Relationships" has been added to the web site www.sisecam.com. Activities that have commenced in 2004 regarding risk management will be concluded in parallel with the re-organization project, aiming at perfecting the organizational systems and structure.

SECTION I. Shareholders

2. Shareholder Relations Unit

According to articles and stipulations of Turkish Trade Law, Capital Markets Legislation and the Şişecam's Articles of Association(AoA), all responsibilities regarding the facilitation of the use of rights for shareholders, has been carried out faultlessly by our "Shareholder Relations Unit", established according to the CMB Corporate Governance Principles framework.

Main Activities during the period;

- The replies to shareholders regarding their oral and written enquiries about the firm, except for non-public material that are confidential.
- The realization of the Annual General Meeting of Shareholders (AGM) according to in force legislation, AoA and other in-house regulations.
- The preparation of documents for the benefit of shareholders during the General Assembly
- Saving a record of voting results and sending of a report of voting results to the shareholders
- Compliance to all matters regarding public access to information including regulations and the firms policy on information access.
- A healthy, secure and up-to-date keeping of records on shareholders have been carried out.

All enquiries by shareholders have been taken care of in the framework of in force legislation, and communication has been carried out by letter, e-mail, telephone and newspapers in accordance with in force legislation, Şişecam AoA and other in-house regulations.

Officers of the Shareholder Relations Unit

Name, Surname	Position	Telephone	e-mail
Asuman Akman	Budget&Financial Control Man.	0212 350 39 95	aakman@sisecam.com
Aytaç Mutlugüller	Int. Finance and Inv. Man.	0212 350 34 80	amutluguller@sisecam.com
Mükrem Şimşek	Central Accounting Man.	0212 350 39 51	msimsek@sisecam.com

3. Shareholders Exercise of Rights of Access to Information

According to present regulations, all information regarding the extension of access to information of shareholders, published in national daily newspapers and all special announcements have been also posted on the website. Besides, those shareholders with addresses provided, are informed by postal letter, telephone and e-mail.

During the present period no written enquiry was submitted and all oral and verbal enquiries which, were concentrated on capital increases and effects of dividends on financial tables, have been handled by the relevant personnel. Apart from that, regarding the extension of the right to information of the shareholders, a section on "investor relationships" has been added to the web site www.sisecam.com and updated regularly.

The request of minority shareholders from the AGM for a special auditor is regulated by legislation. Those shareholders with a minimum of 10% capital share stock can ask the AGM to appoint a Special Auditor to look into matters stipulated by law. No article exists in the AoA regarding the appointment of a special auditor and no such request has been submitted during this period.

4. Information on the AGM

The regular meeting of the AGM was held on the 19th of April 2005, with a quorum of 66.2 %. Stakeholders as well as the press attended the meeting.

Invitation Letters to the AGM;

- Included the agenda, place, date , time, proxy voting form.
- The information that the balance sheet, income statement and summary independent audit report on 2004 is open for perusal, 15 days before the AGM at the headquarters of the company.
- Information that the shareholders wanting to attend the AGM should obtain a valid pass by bringing their equity papers or other relevant documentation at least a week before the AGM, or if they are to be represented by proxy, that real or artificial persons to represent them bring the notary stamped proxy forms to the company, according to Capital Markets Legislation, Series: IV, No.8.

Invitation to the AGM was published in two national dailies as well as the Turkish Commercial Records Gazette. Right to ask questions by shareholders have been practiced and duly answered by company officers. No motion has been forwarded by shareholders during the AGM.

Significant sale/purchase, leasing of assets, dividing shares and other such important decisions need to be taken by the AGM. Nevertheless, because no such need has come up to date, there was no need also to put a relevant clause in the AoA.

To increase attendance at the AGM, the calls have been published in the Turkish Commercial Gazette, two national dailies and the internet site of the company. The time for convening of the AGM is chosen especially to facilitate access regarding traffic intensity and other external factors.

All AGM records are posted on the web site of the company since 2004 for the use of our shareholders.

5. Voting Rights and Minority Rights

No privileges exist regarding voting rights and participating companies cannot vote in the AGM.

According to the AoA, one share one vote principle is valid.

Shareholders cast their votes either personally or via other shareholders or non-shareholder third persons.

Every real person can be represented by one real person in the AGM. In the case that artificial persons be represented by more than one person, only one of those can vote. The authorization to vote must be declared on the authorization document.

Minority shares are not represented in the management. No record exists in the AoA regarding aggregate voting which is not compulsory for the company.

6. Dividends Distribution Policy and Time

In the company AoA, the principle of primary dividend distribution according to the ratios and amounts determined by the CMB is spelled out.

The dividend distribution suggestions brought to the attention of the AGM by the BOD take into consideration,

- a) The sensitive balance between the growth of the Company and the expectations of the shareholders
- b) The profit/loss situation of the Company

The Board of Directors (BoD) has decided to bring to the attention of the AGM, a dividend distribution policy of distributing at least 30% of distributable profit via sharehandouts and/or cash.

There are no privileged shares regarding the distribution of dividends.

There are no practice of dividend distribution via preferred founder shares for the BOD or employees stated in the AoA.

Dividend distribution has been carried out in the legally required time frame, before the end of the 5th month as stated in the relevant legislation.

No mention of advance payments regarding dividends exists in the AoA.

7. Transfer of Shares

There are no clauses in the company AoA pertaining to the transfer of shares.

SECTION II - Informing the Public and Transparency

8. Company Policy on Disclosure of Information

Although the company has no official information disclosure policy, with the exception of matters regulated by legislation, important changes and developments on company activities are announced by press conferences or releases. In addition, the enquiries by investors and analysts are taken care of by relevant company officers.

In order to take care of communication and coordination with the Stock Exchange, Vice President- Financial Control Ahmet Polatkan, Central Accounting Manager Mükremin Şimşek and asst. Accounting Manager Necat Koç have been authorized.

9. Special Cases

During the period and in accordance with the CMB Legislation Series: VII, No.39 "Communiqué on the Public Announcement of Special Cases", 19 special case announcements have been made. ISE has not requested any additional information regarding the announcements. No sanctions have been applied regarding these announcements made in the framework of the above mentioned Communiqué.

10. The Company Website and its Contents

An "Investor Relations" section has been added to the company's website at www.sisecam.com with the following content, and opened to the use of share and stakeholders in the second half of 2004.

- Annual reports
- List of members of the BoD and Audit Board
- Mid-term financial statement and independent auditor reports
- Trade records information
- Structure of partnership
- AGM agenda
- AGM records
- AGM participants list
- Proxy voting form
- Updated AoA
- Explanatory document and public offering circulars
- Special case announcements

11. Explanation on Real Person Final Controlling Shareholder(s)

The following is the structure of shares of the company, there are no real person final controlling shareholders:

Shareholder	% Share
T.İş Bankası A.Ş.	66,10
Efes Holding A.Ş.	4,07
Other	29,83
Total	100,00

12. The Disclosure of Insider Persons

Due to the fact that there is no legislation making it compulsory and no need arised to disclose to the public, a list of people with insider information has not been disclosed. The following list includes the people in addition to the Board of Directors that can hold insider information:

Name and Surname	Position
Alev Yaraman	Executive Vice President-Flat Glass
Gülsüm Azeri	Executive Vice President-Glassware
Teoman Yenigün	Executive Vice President-Glass Packaging
Ateş Kut	Executive Vice President-Chemicals
Türkay Ergun	Vice President-Treasury
Ahmet Faruk Polatkan	Vice President-Financial Control
Mehmet Kara	Vice President-Corporate Planning
Yıldırım Teoman	Vice President-Research and Technology
Rüştü Bozkurt	Secretary General
Mete Saadetlioğlu	Chief Internal Auditor

SECTION III - Stakeholders

13. Stakeholder Access to Information

All important events and developments are disclosed to the public through the press, televisions, internet and special announcements, according to the provisions in legislation. For instance, important developments in the Collective bargaining talks have been disclosed on the internet and by email to employees.

14. Stakeholders Participation in Company Management

No models have been designed for the participation of stakeholders in company management.

15. Human Resources Policy

In the framework of human resources systems, the company has formed the principles of the following; employment, working conditions, career management, ranking, remuneration, financial and social rights, performance evaluation and termination of contract. Relationship with the employees are carried out without any problems by the human resources unit. No complaints on discrimination has been reported to company managers.

16. Information on Relationships with Customers and Suppliers

The Group continues to remain a trustworthy organization producing meaning and value for its partners, employees, customers, suppliers and society, with its unchanging attributes of "human-focus" and "trust organization". Throughout product and service provision as well as marketing and sales, customer satisfaction being our motto, customers and consumers are dealt with the utmost care and sensitivity. In addition, all matters and developments of importance as well as legal changes regarding customers and suppliers are rapidly disclosed and communicated through the fastest medium.

17. Social Responsibility

Group companies, acutely aware of their responsibilities towards laws and environmental values, believe in the need to leave a livable world for the coming generations. Regarding this approach as a main tenet of its strategic management, all activities are accordingly carried out. The aim is to carry out environmental protection activities in the framework of environmental management systems, and achieve continuous development with the support of employees.

SECTION IV- Board of Directors (BoD)

18. The Structure and Formation of the BoD and Independent Members

The BoD is composed of the following 7 people, in accordance with legislation in force and the AoA. Except for the President, all are non-executive members. The BoD does not include members qualifying as independent members as set out by the CMB Rules of Corporate Governance.

Name and Surname	Position
Hakkı Ersin Özince	Chairman
Hasan Arslan Sarsar(*)	Vice Chairman
Alpaslan Akıncı	Member
Yusuf Ziya Toprak(*)	Member
Ahmet Doğan Arıkan(**)	Member-President
Özcan Türkakın(*)	Member
İnci Yılmaz	Member

(*) Auditor member

(**) Executive member

Due to the fact that no circumstances have come up to establish rules and restrictions for the board members to accept outside duties, no rules and restrictions have been laid out.

19. The Qualities of Board Members

In principle, only persons with exceptional knowledge and experience with qualities and a relevant past are candidates for board membership. Persons who have been convicted by participating or undertaking felonies, spelled out in CMB Legislation, Corporate Governance Principles Section IV. Article 3.1.2, cannot be nominated. Minimum requirement expected of nominees for board membership are; analysing financial statements and reports, an understanding of the legal framework the company operates on regarding daily and long term activities, and ability and resolve to attend the announced meetings of the Board during the budget year. The underlying principles on this issue however are not contained in the AoA.

20. The Mission, Vision and Strategic Targets of the Company

The vision of the company is "leadership in the sphere of activities in its vital geography that includes periphery countries" which has been announced in the annual report. Strategic targets announced by the company managers are approved by the Board. The above mentioned strategic targets regarding the next three years, are established in strategic plan meetings which are attended by managers from the company, and then approved by the Board before implementation. The Board scrutinizes the monthly activities (sales, production, stock, number of employees and profit-loss situation) and evaluates past performance.

21. Risk Management and Internal Control Mechanisms

The compliance of all activities of the company and subsidiaries to laws, AoA and internal procedures, is periodically audited by officers of the Audit Board and any faults and deficiencies are reported.

Activities that commenced in the second half of 2004 with the aim of establishing "risk management processes" in the company will be concluded in parallel with the re-organization project undertaken to perfect the company organization systems and structure.

22. The Duties and Responsibilities of the Board of Directors

The duties and responsibilities of the BoD is articulated by the company AoA articles 8-15. The management and representation of the company outside, is carried out by the BoD, maximum 9 people, selected from among shareholders, in the shareholders general meeting and in accordance with Turkish Commercial Code.

The BoD selects a chairman and a vice chairman after the AGM. In case the chairman or the vice chairman have to leave their positions for whatever reason, another selection is made. The Turkish Commercial Code Article 315 is valid. In case the Chairman is absent, the vice chairman chairs the meetings. If the vice chairman is also absent a temporary chairman for the meeting is elected. The date, time and agenda of the BoD meeting is set by the chairman, this task is carried out by the vice chairman in his/her absence.

The meeting date can also be set by a decision of the BoD. BoD meets as the company business and procedures require. A minimum of one meeting per month is compulsory.

The BoD can authorize one or more of its members, or the company president and managers to carry out all or some of its business, or decide to ask its members to carry out company tasks.

23. Principles of Operation of the BoD

The agenda of the BoD meetings are determined by the needs of the company, considering developments in the country or the world. 31 meetings were carried out during the period. Invitation to meetings are done by the fastest means possible that is telephone, meeting agenda and documents are sent at least one week ahead and participation provided.

A secretariat is not established reporting to the chairman in accordance with the CB Legislation, Corporate Governance Principles. On the other hand, activities articulated in the CMB Legislation, Corporate Governance Principles Section IV, Article 2.19. are carried

24. Doing Business with the Company and Prohibition of Competition

Permission is given to members of the BoD, by AGM approval in accordance with provisions of Turkish Commercial Law Articles 334 and 335. No conflict of interest has been reported due to this permission.

25. Ethical Rules

Şişecam carries out its activities in accordance with the eight principles represented also in its logo: powerful, united, diversified, wholly integrated, high quality, trustable, modern, dynamic. Rules regarding the employees have been determined and disclosed to the employees by the "Human Resources Systems Regulations". These rules can be summarized as: compliance with all present and future rules, regulations, procedures and instructions of the company, consideration of the honour of the company in all relationships with each other, third persons and private life, non-disclosure of any and all information that has been obtained through their duties, on the workings, strategies, investments, customers, suppliers etc. of the company to anyone, not to undertake activities that can be labeled as trader, entrepreneur etc.

26. The Number, Structure and Independence of Committees Established in the BoD

To undertake the Boards duties in a healthy way, a committee responsible for audits has been established from non-executive members. This committee has no independent members of attributes stated in the CMB Legislation, Corporate Governance Principles. The committee meets at least every three months, and audits the financial and operational activities of the company according to generally accepted standards.

27. Financial Benefits of the BoD

All rights, benefits and remuneration for the members of the BoD, according to the company AoA, are determined by the AGM. In the 2004 regular AGM of the company, that convened on 19 April 2005, the compensation fees to be paid the members of the BoD have been determined and disclosed to the public.

Credit and lending to the members of the BoD is prohibited, including third person personal credit, as well as bonds in favour for guarantee.

Türkiye Şişe ve Cam Fabrikaları A.Ş. and its Subsidiaries Directory

Türkiye Şişe ve Cam Fabrikaları A.Ş.

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Flat Glass Business

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