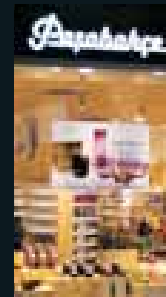


***strong growth
and regional expansion***



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 Isbank upon a directive issued by Atatürk, the founder of modern Turkey, Şişecam celebrated the 69th anniversary of its operations in 2004. 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 gain expertise in its field of activity within the framework of today's globalization conditions, should be perceived as stepping stones towards a prosperous future.

Shares of the Group companies Trakya Cam, Anadolu Cam, Denizli Cam, Soda Sanayii and Camiș 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 1,629 million

international sales*

USD 737 million

investments

USD 269 million

equity

USD 1,484 million

net financial debt

USD 151 million

EBITDA

USD 448 million

net profit

USD 139 million

* Includes export and sales from production abroad.



strong growth and regional expansion

Şişecam has left behind the year 2004 once again with high performance. Basic indicators based on the annual results display historical records, most significant of which is no doubt the growth, especially the demonstration of 'qualified growth'.

*Şişecam has in the past years come to the fore as a world class exporter, an image compounded in the last couple of years by its vision of **'being the leading manufacturer in its core businesses in its vital geography'**, thus also making regional expansion the main driving force of its strong performance. This needs to be taken as a natural result of the process of globalization and structural dynamics in its fields of activity.*

The share of international sales composed of exports as well as sales from production abroad has in 2004 reached 45% of total sales. This will increase with continuing investments abroad and constitute a source of future strength. Along these initiatives, 2006 will mark the 'beginning of an exciting new era and the opening of new horizons'.

flat glass



Trakya Cam has grown rapidly in the domestic market. The accelerating pace of automotive glass sales is being backed by additional capacity. The increasing share of processed and high performance glasses in sales has a positive influence on performance. Bulgarian float investment which started in July, will be ready to roll at the beginning of 2006. The 5th float line project in Turkey will commence this year and start production in the second half of 2006.

glassware



Paşabahçe Cam has directed its expanding capacity to growing internal market as well as exports. Eyeing international developments, it is restructuring to target higher end of the market. While the capacity of the Russian operation has doubled, new opportunities are avidly sought. The new factory to start production in Bulgaria mid-2005 should provide strategic edge.

glass packaging



Increasing internal demand has prompted Anadolu Cam to add new production lines and build a new plant in Bursa-Yenişehir. It has taken over the Pokrovsky firm in Russia, commencing expansion projects, as well as started production in the 3rd furnace of Ruscam. Initial stage of the two-furnace plant investment in Ufa-Bashkortostan will start production at the end of 2005, while the search for strategic partnerships continues unabated.

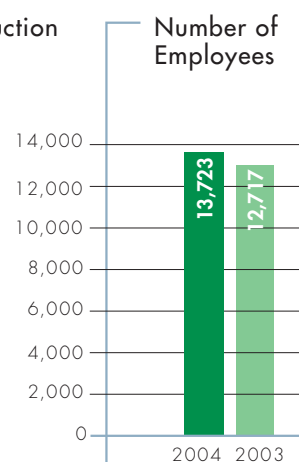
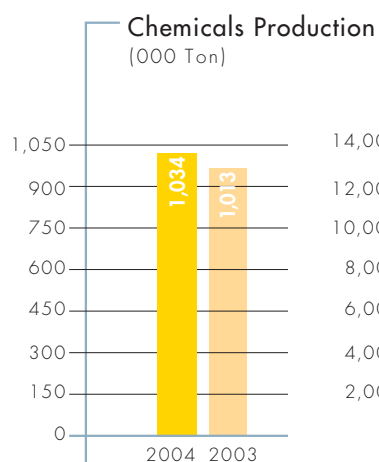
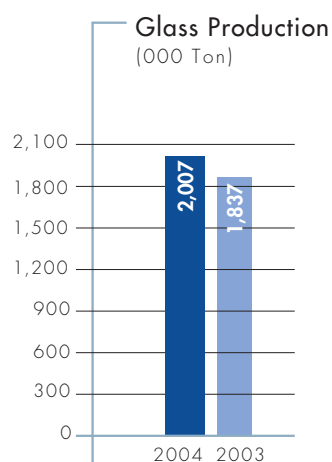
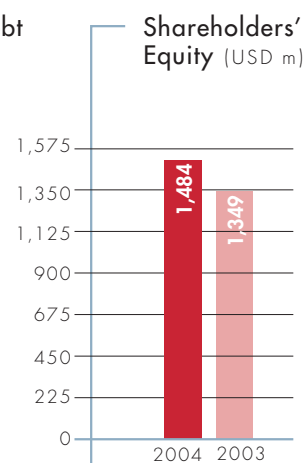
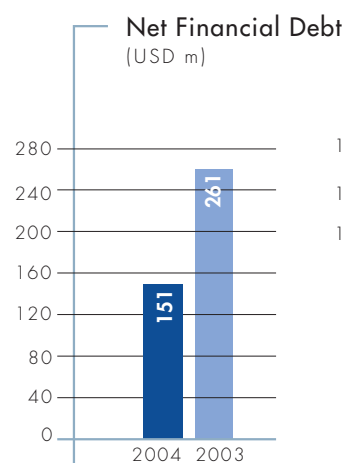
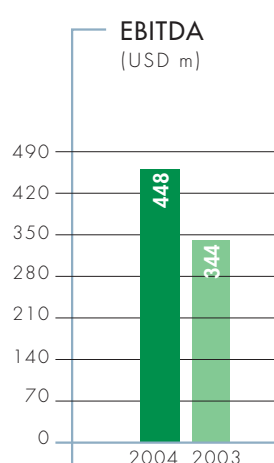
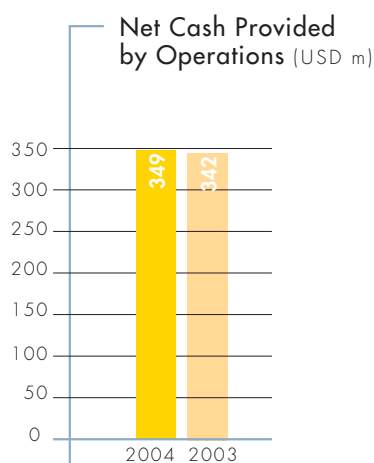
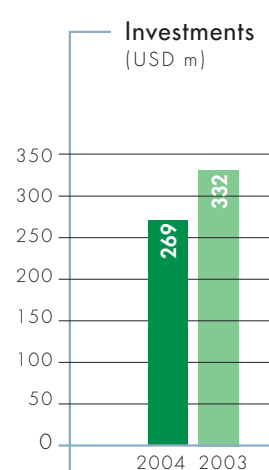
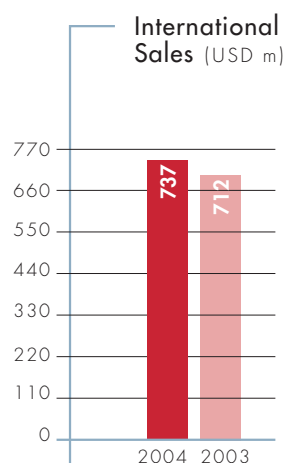
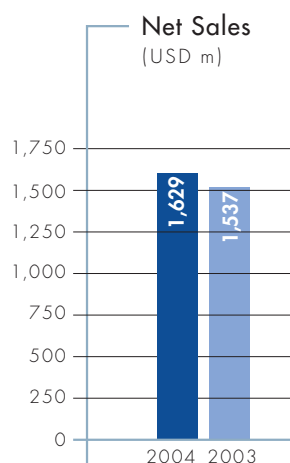
chemicals



Soda Sanayii has suffered from high taxes on fuel-oil while the positive global economic outlook and increasing prices allows an optimistic outlook. The conversion to natural gas in mid-2005 is certain to lift a heavy burden. The cogeneration plant to be commissioned by Camış Elektrik in 2006 will also help lower costs. The partnership with Cromital in the chromium chemicals is a strategic move regarding international markets.



financial highlights



Summary Consolidated Balance Sheets (IFRS)				
	2004		2003	
	YTL	USD	YTL	USD
Current assets	1,147	855	904	674
Long term assets	2,593	1,932	2,588	1,928
Total assets	3,740	2,787	3,492	2,602
Current liabilities	527	393	509	379
Long term liabilities	579	432	573	427
Minority interest	642	478	600	447
Shareholders' equity	1,992	1,484	1,810	1,349
Total liabilities and shareholders' equity	3,740	2,787	3,492	2,602

Summary Consolidated Statements of Income (IFRS)				
	2004		2003	
	YTL	USD	YTL	USD
Net sales	2,186	1,629	2,063	1,537
Cost of sales	(1,472)	(1,097)	(1,364)	(1,016)
Gross profit	714	532	699	521
Operating expenses	(400)	(298)	(393)	(293)
Operating profit	314	234	306	228
Finance (expenses) / income (net)	(12)	(9)	11	8
Other expenses (net)	(25)	(19)	(53)	(39)
Monetary gain	68	51	40	30
Profit before taxation and minority interest	345	257	304	227
Current tax expense	(63)	(47)	(83)	(62)
Deferred tax (charge) / benefit	(34)	(25)	51	38
Profit before minority interest	248	185	272	203
Minority interest	(61)	(46)	(72)	(54)
Net profit	187	139	200	149
Earnings before interest and taxes (EBIT)	296	220	221	165
Depreciation and amortization	306	228	240	179
Earnings before interest, taxes, dep. & amort. (EBITDA)	602	448	461	344
Net cash provided by operating activities	469	349	459	342
Net financial debt	203	151	350	261

Financial Ratios		
	2004	2003
Current assets / Current liabilities	2.18	1.78
Total liabilities / Total assets	0.30	0.31
Total liabilities / Shareholders' equity	0.56	0.60
Net financial debt / Total assets	0.05	0.10
Net financial debt / Shareholders' equity	0.10	0.19
Gross profit / Net sales	0.33	0.34
Operating profit / Net sales	0.14	0.15
EBITDA / Net sales	0.28	0.22
Net financial debt / EBITDA	0.34	0.76

Amounts expressed in millions of New Turkish Lira (YTL) in terms of the purchasing power of the YTL on December 31, 2004 and millions of USD.



TR Glass Bulgaria EAD

The go ahead for construction of the float and glassware plants in Bulgaria, was given with a ceremony attended by the Prime Minister of Turkey, R. T. Erdoğan and the Bulgarian Premier S.Saxe-Coburg Gotha in July. The construction is proceeding swiftly.



Ruscam Ufa

Investments by Anadolu Cam in the Russian Federation are fastening pace. The Prime Minister Baydavletov signs the agreement to build a plant in Ufa-Bashkortostan.



Paşabahçe Posuda

Paşabahçe has modernized and expanded its Posuda glassware plant in the Russian Federation during the year. The plant has started production towards the end of the year with a ceremony attended by Russian officials.



As Şişecam expands rapidly in its region, it continues to cooperate with respectable international financial institutions as a trustworthy partner. Many credit agreements have been signed in during the year 2004.

Our shareholders should fire their imaginations and expectations about Şişecam. Because, our Group is reaching out for a bright future, on the solid foundations and heritage of those that have been 'blowing life into glass'.

Dear shareholders,

We have come together to discuss the 69th year of activities of the Şişecam Group. We are proud to share with you in this seventieth year the new levels our production and development activities have reached. We do not doubt our messages will meet your expectations and make you happy as well as satisfied.

Our 2004 operations both nationally and internationally have been carried out in an economic climate significantly more favourable than past years.

The economy has demonstrated considerable growth accompanied by a rapid fall in inflation.

Following a series of reforms, EU has given Turkey a date to start accession talks and this gives us further reason to hope that the Turkish economy is on a positive track. On the other hand, problems like the high current account deficit and stagnant unemployment situation show that the sensitivities of the economy are not overcome. Following accession talks and then membership, the economy should finally obtain a stable condition. Only in this way will growth result in employment, foreign trade will soar, foreign direct investment will increase, inflation and real interest rates will fall significantly.

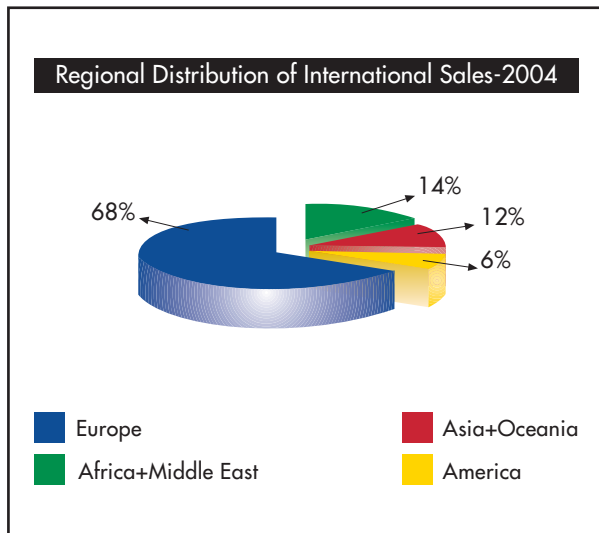
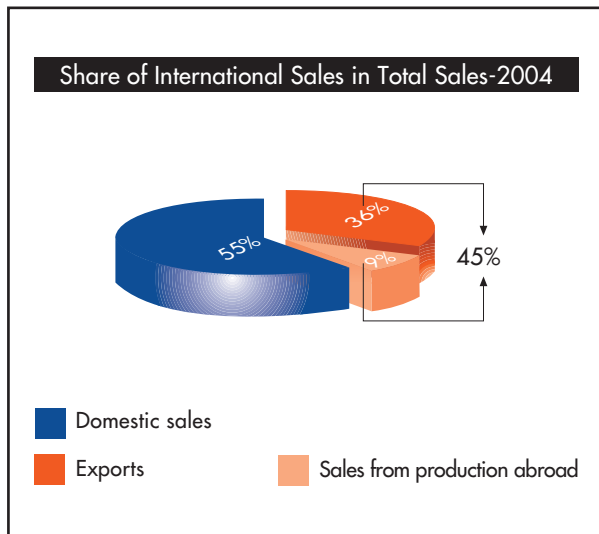
Therefore, it is imperative that we stick to structural reforms and economic discipline in the framework of the IMF stand-by agreement. The road to a modern trust economy is to change our ways through constant reform and not going back to old habits.

The one and only important aim is to make the country a center of attraction for industrial investment and all sorts of economic activity. If we can achieve that, our woes will no doubt be fundamentally over.

The world economy has performed handsomely compared to past few years in 2004. High growth in trade lead by the dynamic US economy has continued despite regional differences. Though the slowdown experienced in Western Europe has been a negative influence, the relative growth of Eastern Europe and the periphery has resulted in an overall positive picture. Despite this situation, the unexpectedly high budget and trade deficits in the US economy and economic imbalance, the currency parity has leaned towards the Euro. The rise of oil prices is also one of the important economical parameters to watch.

We would like to stress that all efforts have been made to compensate for the possible adverse influences of these instabilities in the national as well as global economy. The structure, composition and flexibility of the activities of our Group protect us against these negative influences. Therefore, against all economic influences we have trust in our competitive power and openness and believe in a bright future.

The Group has completed 2004 with very successful results given the positive economic situation. Here is a look at some consolidated indicators.



- Net sales have increased by 6% to reach USD 1.6 billion.

- Glass production has increased by 9% to just over 2 million tons, chemicals have been maintained at 1 million tons.

- Investment spending has reached USD 269 million.

- Net financial debt went down by 42% to USD 151 million.

- Workforce has increased by 8% to 13.723, 15% of which is employed abroad.

- Net profit has been realized as USD 139 million, EBITDA has increased 30% to USD 448 million. Our financial structure and potential to create funds looks very healthy.

Our firms have started new initiatives during the year and taken new steps. Without doubt the most important of these is the USD 200 million investment by Trakya Cam and Paşabahçe Cam in Bulgaria, the construction of which started in July 2004. Consisting of a float line, glass processing unit and a glassware plant, the project will come online stepwise starting mid-2005. Paşabahçe Cam has also modernized and expanded the glassware facility it purchased in Russia and started production.

Anadolu Cam has started production in the third furnace of Ruscam Gorohovets. The modernization and development of the Ruscam Pokrovsky plant is continuing. Anadolu Cam has captured market leadership in the Russian Federation already.

Soda Sanayii has completed preparations to make its conversion to natural gas in mid-2005, saving it from costly fuel oil. The cogeneration plant being constructed by Camış Elektrik will make important additional cost savings possible for the business. With all these measures the negative influence of high energy costs on the performance of Soda Sanayii will finally have ended.

Potential weaknesses in the global and national economy will only be of minor influence.

The structure, composition and flexibility of the activities of our Group enable us to look to the future with confidence.

On the other hand, rationalization and efficiency efforts have continued unabated stressing a lean organizational structure and transparency. Research and Development and Environmental Protection activities have received due attention, and both have been carried out meticulously. After all this, we would like to bring to your attention one point which almost summarizes the 2004 performance of the Group. An indicator we find very important, that is the share of the Group's income from exports and sales from production abroad to total sales. This percentage has been realized as 45% in 2004, summing up the 'strong growth and regional expansion' slogan. One should also read this as indicator of a bright future for the Group, in the throes of major expansion.

Everyone knows we have been motivated by the vision of being the lead producer in our vital geography in our sphere of activities. We are determined to realize this vision.

The 2005 domestic and international investment program totalling USD 482 million which indeed involves strategic elements, is a testimony to our expectations. Within this framework, Anadolu Cam starts construction of its third plant in Ufa. Another one in Bursa-Yenişehir is about to commence. Trakya Cam has already announced it will commission USD 120 million, 5th float plant of Turkey in the second half of 2006.

The investments presently continuing in Turkey, Russia and Bulgaria, which will also reach into

the future, are indicators of strong growth and sustainable performance. There should be no doubt that the year 2006, which will really be the year all these investment will begin to bear fruit, will also announce the entry into an exciting new era. The vital geography we have concentrated our efforts on also offers many opportunities for growth and strategic cooperation.

We would like to remind you of a promise we have given last year, that our shareholders should fire their imaginations and expectations about Şişecam.

At the end of our words, we would like to express our thanks and appreciations to all that have helped our Group in becoming the trustworthy organization it is today, our shareholders, employees, customers and all that have done business with us.



H. Ersin Özince
Chairman



A. Doğan Arıkan
Vice Chairman-President

board of directors



H. Ersin Özince (1)
Chairman

A. Doğan Arıkan (2)
Vice Chairman - President

Alparslan Akıncı (3)
Member

M. Sırrı Erkan (4)
Member

Suat İnce (5)
Member

Mahmut Magemizoğlu (6)
Member

H. Fevzi Onat (7)
Member

Ali Rıza Osken (8)
Member

Turgay Tanes (9)
Member

Authorities of the members of the Board has been specified under the Turkish Commercial Code and the Company's Articles of Association.

- 1 H. Ersin Özince, 51, 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.
- 2 A. Doğan Arıkan, 55, completed the 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.
- 3 Alparslan Akıncı, 71, 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.
- 4 M. Sırrı Erkan, 49, graduated from Ankara University Political Science Faculty and started work in İşbank Audit Dept. in 1981, taking up various management positions. Since 2001, he has been working as Vice President of İşbank.
- 5 Suat İnce, 39, graduated from METU Economics Dept. and started work at İşbank Audit Department in 1987, after which he took up various positions. He has been the Manager of the İşbank Altınizade Branch since 2004.
- 6 Mahmut Magemizoğlu, 45, obtained his university degree from METU Management Dept. going on to receive his MA from the University of Stirling on investment analysis. He started his working life in the Audit Dept. of İşbank, taking up various management positions. Since 1999, he is working as the Manager of İşbank Participations Dept.
- 7 H. Fevzi Onat, 45, graduated from Hacettepe University, Social and Administrative Science Faculty, Economics Dept. Started his working life in 1981 in İşbank Audit Dept. taking up various management jobs. Since 2002, he has been the Vice President of İşbank.
- 8 Ali Rıza Oskan, 55, graduated from Istanbul University, Economics Faculty, Management-Finance Dept. starting his working life in 1974 at the İşbank Audit Dept. After working at various positions there, he has been Manager of İşbank Taksim Branch since 2000.
- 9 Turgay Tanes, 41, graduated from Gazi University, Economical and Administrative Sciences Faculty, then started work in 1987 in İşbank Audit Dept. taking up various positions. Since 2004, he has been General Manager of İş Gayrimenkul Yatırım Ortaklığı A.Ş.

management committee



A. Doğan Arıkan (1)
President

Alev Yaraman (2)
Executive Vice President
Flat Glass

Gülsüm Azeri (3)
Executive Vice President
Glassware

Teoman Yenigün (4)
Executive Vice President
Glass Packaging

Dr. Ateş Kut (5)
Executive Vice President
Chemicals

Dr. Türkay Ergun (6)
Vice President
Treasury

Ahmet F. Polatkan (7)
Vice President
Financial Control

Mehmet Kara (8)
Vice President
Corporate Planning

Dr. Yıldırım Teoman (9)
Vice President
Research & Technology

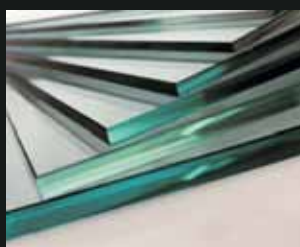
Dr. Rüştü Bozkurt (10)
Secretary General

- 1 A. Doğan Arıkan, 55, completed the 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.
- 2 Alev Yaraman, 57, 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.
- 3 Gülsüm Azeri, 53, 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.
- 4 Teoman Yenigün, 52, 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.
- 5 Dr. Ateş Kut, 55, 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.
- 6 Dr. Türkay Ergun, 67, 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.
- 7 Ahmet F. Polatkan, 57, 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 .
- 8 Mehmet Kara, 54, 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.
- 9 Dr. Yıldırım Teoman, 50, 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.
- 10 Dr. Rüşti Bozkurt, 59, was educated at the Bursa Educational Institute Literature Dept., and Eskişehir Economical and Business Sciences Academy, Management - Accounting Dept., where he also received as 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.

As the demand for processed and high performance glass rises with emerging trends, the product portfolio continuously expands.



Migros Headquarters-Istanbul



Mevlana Center-Konya



Building Week-Bulgaria



Glasstec-Germany



IZODER-TU



GTO-Gaziantep



Hanselmann-Germany

During the year 22 national and international sectoral trade fairs have been attended. The Siseecam stand in the Building Week trade fair was awarded the 'most succesful stand' prize.



Volkswagen Golf



ISF-Volkswagen AG-Germany

Trakya Otocam attended the ISF trade fair in Germany this year for the first time with its new products namely; heat reflecting athermic glass, acoustic glass and heatable windshield. The stand was visited by the VW Board Chairman Pischetsrieder. Trakya Otocam will be supplying the glass on VW Golf in the year 2005.

Flat Glass Business Combined Financial Highlights* (IFRS)

USD m	2004	2003
Net sales	423	380
International sales	95	113
Gross profit	164	143
Operating profit	97	80
Net profit	78	75
EBITDA	176	157
Net financial debt	(7)	(8)
Shareholders' equity	768	673
Total assets	1,086	926
Investments	76	51
Number of employees	2,111	2,263

* Includes Çayırova Cam in addition to Trakya Cam.

Trakya Cam Consolidated Financial Highlights* (IFRS)

USD m	2004	2003
Net sales	419	373
International sales	90	105
Gross profit	157	137
Operating profit	97	79
Net profit	77	74
EBITDA	153	123
Net financial debt	13	6
Shareholders' equity	612	575
Total assets	894	824
Investments	76	51
Number of employees	2,071	2,041

* Includes Trakya Cam, Trakya Cam Investment B.V. and Trakya Glass Bulgaria EAD.

Float lines to be realized in Turkey as well as Bulgaria will increase business volume considerably in 2006 consolidating Trakya Cam's regional leadership.

As energy efficiency and environmental consciousness take hold and move to the center, flat glass increasingly finds new applications expanding its utilization. Global flat glass consumption has grown approximately 4% in 2004.

Although consumption is concentrated in Europe, USA and Japan, highest rates of growth are realized in developing markets, 6-10%. These countries will increasingly be the focus of new capacity and market potential in the coming years. Likewise, Turkey, with its geographical position, growing population and economy, continues to attract attention in the market.

Trakya Cam remains the undisputed market leader in the Turkish flat glass market. Lüleburgaz and Mersin float, Mersin figured glass, Trakya automotive glass, Trakya Glass Processing and Glass Coatings as well Trakya mirror and Laminated glass plants continue to operate within the firm. Trakya Cam serves to develop the market with its product range, quality and service perfection. The obsolete figured glass production facility in Çayırova Cam has been shut down in 2004 and a brand new facility with the capacity 45,000 tons/year of figured glass of a variety of colors and patterns has been built in Mersin to the tune of USD 20 million. All the flat glass production facilities as well as marketing/sales activities have thus been placed under Trakya Cam.

Trakya Cam has benefited from high growth rates in the Turkish market in 2004, increasing its sales and strengthening its leadership position. The market revival is largely due to the positive performance of the economy, reflecting a first time growth since 1999 of the construction market as well as positive developments in the automotive, durable goods and furniture sectors both in the domestic and international markets.

Trakya Otocam is the undisputed market leader in automotive glass in Turkey and has supplied most new models on the market, increasing its sales considerably.

Globalization has driven automotive producers to focus investments more on high demand regions, making Turkey a prime choice.

A rich palette of colors and performances regarding energy and solar control glasses used on facades offers architects a rich selection.



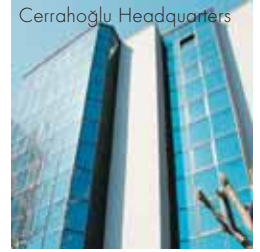
Admiral Bristol Hospital



Ak Yatırım



Cerrahoglu Headquarters



Cam Pazı Headquarters



Turkish vehicle production has topped the 823,000 units mark in 2004, breaking the record over the previous year, and ranking 6th in Europe only after Germany, France, Spain, UK and Italy. The growth figure, 98% has broken all records in Europe and the 451,000 sales volume has made Turkey the 8th largest automotive market in Europe. Trakya Cam supported these developments supplying Ford, Renault, Toyota, Hyundai, Mercedes and Peugeot, its leading international customers by new projects and agreements for new models.

Trakya Cam is the 8th global, 5th European and the only national flat glass producer, with a vision to become the lead supplier in the region.

It is continuing investments in Turkey as well as abroad based on its strategy of growth through multi-focused production. Its first investment abroad has been through its subsidiary **Trakya Cam Bulgaria EAD**, to build a float facility in Bulgaria's Targovishte region. The plant whose construction started in July, will easily be the largest foreign greenfield manufacturing investment in the Balkans and Bulgaria. With a capacity of 225,000 tons/year, and an investment cost of USD 120 million, production is planned to start first quarter of 2006.

Trakya Cam also plans to build glass processing and mirror facilities nearby that will allow export market proximity and boost its competitive power.

Trakya Otocam has largely completed its investment for capacity enlargement that commenced in 2002. Costing about USD 36 million, the rest of the investment will be finished in 2005, modernizing the production facility and tripling its capacity.

Trakya Cam İşleme (Glass Processing) is the favoured producer of tempered glass both in the domestic and international markets which are highly competitive. Exporting 60% of production to Europe, the unit supplies tempered glass for all applications such as fridges, ovens, shower cabins, solar collectors, furniture, doors and bus stops. The Glass Processing unit is particularly strong in the solar collector market.

In Turkey, furniture trends are triggering increased use of mirrors whereas security concerns are pushing the utilization of laminated glass.

The year 2004 has seen the increase of sales of Flotal (mirror) and Lameks (laminated security glass) thus vitalizing coated glass sales.

Due to increased demand in the domestic flat and automotive glass markets, exports have dropped somewhat and 77% of exports in value have been to Balkan countries and Europe. With new capacity coming in the forthcoming years, a boost in exports is being planned.

Continuously upgrading its product range, Trakya Otocam is the sought after supplier of the leading automotive producers both in Turkey and abroad.



Hyundai LC



Toyota Verso



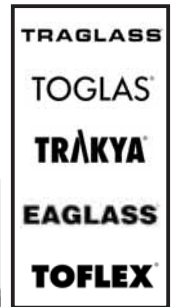
Opel Astra



Renault Clio



Ford-Connect



Various activities have been carried out to create brand consciousness in flat glass products and increase demand for brand products among consumers.

Technology and product development activities have continued unabated in 2004. Control and measurement equipment have been developed in cooperation with the national research and technology institute, TÜBİTAK. Among new products developed in house are; high transmittance, high performance solar control coatings on 6 mm glass, heatable coatings for industrial coolers, and chromium coated mirror products.

As flat glass markets mature, the sales of value added, processed and high performance glasses are increasing, thus contributing to stronger business performance.

Environmental concerns and energy efficiency measures continue to play an increasingly central importance in the world today. Coupled to these developments, regulatory activities demand the use of energy efficient products, increasing the importance of value added high performance glass units employing heat and solar control coatings. Similarly in Turkey which is in the process EU accession, harmonization with EU regulations are proceeding rapidly. This and the growth of the economy lifting household earnings, drives the increasing use of doubleglazing units employing high performance coatings also serving energy efficiency and environmental protection. Şişecam's proprietary trademark ISICAM, the doubleglazing unit, is continuously increasing its market share, accompanying the rise of the quality and function-conscious customer, serving markets with the heat control product Isicam S and multi-functional Isicam Konfor.

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 profitable investment' is avidly supported in this respect.

In 2004, a large number of trade fairs and sectoral meetings have been attended, the most prominent of which were; İstanbul and Ankara Building Fairs, Baucon Yapex and Building Technologies Fairs in Antalya as well as exhibitions with particular focus on durable goods, heating-cooling, automotive and security.



The aesthetical light and image transparency of Lara glass brick and tiles create design flexibility in internal decoration.

Internationally, the sector's largest global meeting place, the bi-annual Düsseldorf fair has been attended. On the other hand, Russian, Ukrainian, Bulgarian, Tunisian and French building, automotive and durable goods fairs have also been attended during the year. The stand in the Building Week Fair in Bulgaria was awarded the 'most successful stand' prize.

The figured glass line of Trakya Cam-Mersin was commissioned at the end of 2004.



Demonstrating transparency and privacy at the same time, figured glass with a wide choice of colors and patterns, introduces new dimensions to living spaces.

Tempered flat glass products expand the comfort and security of daily life.



Based on the high performance of the economy in general in 2005 and the bright prospects forecast in the target sectors, Trakya Cam has decided to construct a new float line in Turkey. This facility that will be the 5th float line of the country, will increase total capacity by 25% and will cost around USD 120 million. The plant is due to be commissioned in the second half of 2006.



In a world more and more conscious of design and color, Paşabahçe is in line with global trends both in high value and the commodity segments of the glassware market. A large number of new products are developed to be rapidly introduced into the market.

Paşabahçe is a regular of the most notable specialty trade fairs in the world and also a center of attraction with its range of products as well as superior designs.



Chicago-USA



Equit Hotel-France



Tendence-Germany

The first Paşabahçe prestige shop outside of Turkey opened its doors in the Arkadia Turkish Trade Center in Moscow, where the first customers were young generation Russians.



Glassware Business Combined Financial Highlights* (IFRS)

USD m	2004	2003
Net sales	506	522
International sales	290	301
Gross profit	180	185
Operating profit	46	58
Net profit	38	47
EBITDA	140	135
Net financial debt	20	23
Shareholders' equity	584	564
Total assets	874	872
Investments	38	85
Number of employees	5,135	4,759

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

Paşabahçe Cam Consolidated Financial Highlights* (IFRS)

USD m	2004	2003
Net sales	431	419
International sales	270	278
Gross profit	134	128
Operating profit	35	39
Net profit	21	30
EBITDA	95	78
Net financial debt	58	56
Shareholders' equity	349	359
Total assets	629	648
Investments	35	71
Number of employees	3,569	3,164

* Includes Paşabahçe Cam, Paşabahçe Eskişehir and Posuda Ltd.

New investments in the Russian Federation and Bulgaria will help Paşabahçe Cam meet its targets of becoming a global glassware producer and increasing its market share.

Globally, the year 2004 has been a year in which particularly developed glassware markets such as the USA and EU have stagnated. While stable growth was experienced in the East European, Balkan and Russian markets, the Middle East and Iran, fired by increases in crude prices, have witnessed soaring demand for glassware.

As the wholesale giants take higher shares of commodity glassware products, specialty shops are also making inroads with brand names, product range and customer services. All the while, multi-storey shops are on the decline. With rising share of the markets, large wholesale firms are pushing global growth-global supply chain trends.

Capacity rationalization has continued in Western Europe and the USA while global players of the sector go ahead with takeovers and new investments in fast growth regions as a part of cost cutting strategies. Local players in these markets are also expanding and supply side developments can be said to be mainly witnessed in Eastern Europe, the Middle East and China. This trend is also resulting in depressed prices.

The Turkish glassware market has shown a growth rate parallel to the growth of the economy in 2004. The rise in consumption witnessed in all sectors was taken care by both local production as well as imports. Despite severe competition and stagnation in developed markets, exports of glassware have increased in 2004. Sales to the domestic market have increased by 6%, protecting market position and global market share has also increased.

In line with its high aims and strategic plans, **Paşabahçe Cam** has doubled the production capacity of glassware producer **Posuda Ltd.**, which it took over at the end of 2003, in the Russian Federation.

The production standards have been raised, in order to realize a strong presence of Paşabahçe in the Russian market.

The intention is to rapidly expand market share in the Russian market via full capacity production in The Russian Federation as well as exports from Turkey in 2005.



Given the potentials of the Russian market, and aiming at market leadership, new investments will be considered.

The year 2004 has also seen the commencement of a new investment in Bulgaria for a large glassware production facility, with a cost of around USD 60 million.

The investment in Bulgaria which will increase global market share, is set to start production in mid-2005. With the support of this large production capacity, marked expansion of sales in European, Middle Eastern, US and Far Eastern markets are forecast.

Apart from these two large projects aiming at expanding capacity in automatic glassware production, the borosilicate production facility in Kırklareli has been modernized using cutting edge technologies in 2004. The design workshop started work at the beginning of the year, and investments aiming at increased productivity, better quality, lower costs and added value and product diversification in all plants, have been realized. The supply chain management project, expected to radically improve competitiveness, has also commenced and advanced.

Product range has expanded in 2004, and while exports increased to all market segments, sales to the service sector have shown marked increases. This has been mainly achieved by the completion of the standard product line and the expansion of the customer base via more effective marketing and sales activity. Parallel to the development of home distribution channels, the share of direct sales to wholesalers has also increased.

Paşabahçe Mağazaları is the leader of chain specialty glassware stores in Turkey. With two new concepts of 'Life' and 'Boutique' in 2004, Paşabahçe has demonstrated its difference by early adoption to new trends in different product ranges, continuous improvement in store formats and customer service quality. The hand made collection 'Glassmaster 2004' at the beginning of the year, 'Artful Writing in Glass' collection as a part of the 'History, Culture and Glass' concept at the end of the year have received wide acclaim. The first Paşabahçe Store abroad opened doors in a new shopping center in Moscow in January 2005 and meeting Moscow shoppers directly.

27 trade fairs have been attended this year, both national and international among which are; Ambiente (Frankfurt), Hogatec (Düsseldorf),



The now two years old 'fashion in glass' novelties continued this year with 'Hippies' collection in the summer and 'Dream' series in the winter.



In the NATO meetings in Istanbul and other prestigious gatherings, Paşabahçe has always been the choice of leaders.

Macef (Milano), International Houseware Show (Chicago), Tabletop Show (NewYork), NRA (Chicago), Equip Hotel (Paris), Hostelco (Barcelona), Ambiente Japan (Tokyo), Consumexpo (Moscow) and Zuchex (Istanbul). Paşabahçe stands have made waves in these trade fairs with highly fashionable trends, colors and forms satisfying all buyer segments.

2005 will the year in which important moves to expand in the sector should bear fruit.

New investment and activity aiming at product ranges for the higher market segments are on their way. The capacity of Paşabahçe Cam to offer a wider range of glassware will thus be increased.

In line with sectoral strategies in glassware, as new capacity is added abroad, domestic attention will be focused on value added, technologically oriented production abilities as well as development efforts.

Paşabahçe Cam, with production in three countries, will be aiming at increasing multi-point penetration of all segments of the global market, all the while centering glass and process/machine technology as well as new product development in Turkey.

A new production line targeting the upper segments of the production range in the glassware market is planned in the Kırklareli plant in 2005. With this investment, the product range aiming at the higher up segments of the service sub-sector, as well as the wholesale sub-sector will be supplied, thus improving Paşabahçe's capacity to offer a full spectrum of glassware products, a firm step towards increasing its global market share.

Modernization investments aiming at lower costs, better quality and improved productivity will continue unabated in 2005, adding value to products, realizing diversification through printing and decoration. On the other hand, a new plastics production facility will be set up for the production of accessories.



Camış Ambalaj is among the sectoral leaders with its production capacity as well as its innovative and pioneering approach.



Denizli Cam has continued developing techniques to increase quality and design capability as well as cutting costs. Efforts to increase direct sales to wholesalers as well as expanding the customer base have continued.



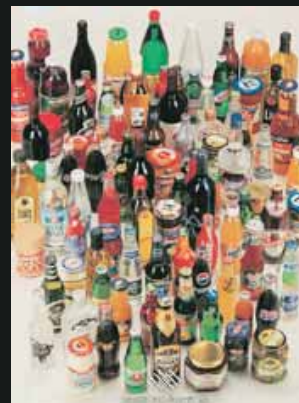
The History-Culture-Glass concept, launched last year by Paşabahçe Mağazaları was continued with the 'Artful Writing in Glass' collection making a highly acclaimed start.



The outstanding fruits of design and glassmastery offered as hand made products of a variety of colors and shapes in Paşabahçe Mağazaları.

Camış Ambalaj, one of the pioneers of its sector, provides for the high quality paper/cardboard packaging requirements of glassware production. Increasing its production capacity for offset and corrugated packaging 10% in 2004, it has completed investments for Jumbo Slotter and high quality flexo lines, diversifying its production. The firm has restructured its regional sales organization to become more customer oriented, increasing market penetration. A brand new corrugated line is to be built in 2005.

glass packaging

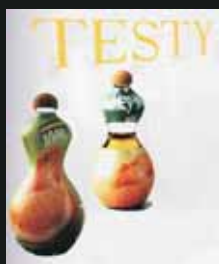


Glass adds value to whatever it stores. Environmentally friendly and versatile to shape and decorate, glass packaging provides for the diversifying needs of the contemporary consumer.



The Coca-Cola Light bottle has been redesigned by the Beymen design team, a limited number of which was produced and decorated by Anadolu Cam. The 'Reflections from Nature' collection can be purchased in Beymen stores.

University design students were introduced to the brilliant world of glass packaging. Competitions to design creative, novel and usable packaging have been organized. The results have been impressive, as expected.



Glass Packaging Business Combined Financial Highlights* (IFRS)

USD m	2004	2003
Net sales	412	361
International sales	141	91
Gross profit	126	119
Operating profit	74	71
Net profit	59	69
EBITDA	170	123
Net financial debt	9	11
Shareholders' equity	561	471
Total assets	748	664
Investments	136	69
Number of employees	3,894	2,991

*Includes Ferro Döküm, Omco Istanbul in addition to Anadolu Cam.

Anadolu Cam Consolidated Financial Highlights* (IFRS)

USD m	2004	2003
Net sales	361	321
International sales	121	76
Gross profit	111	108
Operating profit	67	66
Net profit	46	60
EBITDA	104	91
Net financial debt	33	21
Shareholders' equity	396	364
Total assets	596	550
Investments	93	67
Number of employees	3,580	2,564

* Includes Anadolu Cam, JSC Mina, OOO Ruscam, OJSC Pokrov Glass Plant, OOO Ruscam Ufa, Anadolu Cam Investment B.V., Balsand B.V.

Anadolu Cam, rapidly growing regionally with its extensive investment program, will increase production capacity to 1.5 million tons in 2006, realizing a rise of 50%.

Having a 3% share in the glass packaging production in Western Europe, per capita glass packaging consumption in Turkey is only about 7 kg. This value is 40 kg in Western Europe and 46 kg in EU-15, which demonstrates the very high growth potential in the domestic market. The prospects for glass packaging in the world both in terms of per capita and total consumption, in view of unsaturated food and beverage markets, new investments, increasing mergers and product variety, would seem quite positive.

Anadolu Cam realizes its domestic production in the advanced technology manufacturing facilities in Topkapı, Mersin and Çayirova. Glass packaging for food, water, mineral water, gaseous drinks, fruit juice, milk, beer, wine, spirits, pharmaceuticals and cosmetic sectors, of all shapes, colors and sizes are produced in facilities employing such advanced techniques as lightweighting and on-line coloring.

Domestic glass packaging sales have increased by 6% in 2004, and for the first time topped the 500,000 tons sales mark. The largest share was taken by mineral water sales, 28% over last year. Product development for small volume glass packaging targeting the gaseous drinks (pop) and the fruit juice segments has continued. New products have been designed for the food sector, and sales to exporting food firms has increased by 4.5%.

With the partial privatization of Tekel (the state tobacco and alcoholic beverages monopoly), the alcoholic beverages sector has been reshaped. Developments of new designs and secondary applications to provide for the demands by newcomer firms were stepped up.

Adding together 550,000 tons/year domestic production with three plants, 50,000 tons/year production in Mina factory in Georgia, 320,000 tons/year capacity in Ruscam Gorohovets plant and 80,000 tons/year production line in Ruscam Pokrovsky plant, the grand total for Anadolu Cam production capacity has reached 1 million tons/year.



Marketed in green non-returnable bottles, mineral water, the abundant natural resource of Turkey, is receiving increasing customer attention.



Privatization of the alcoholic spirits market in Turkey has vitalized competition in the sector and created needs for new products.



The one-way bottle offers high value for fillers and consumers.

On the other hand, the domestic production-sales ratio, particularly the increase in sales of the mineral water and beer sectors points to additional production capacity requirement. This growing demand has been met by imports in the last three years. New capacity to cover this capacity will be created in a new site that will also be the new home of the Çayirova plant, that is at the end of its economic life. The new manufacturing capacity due to start production at the end of 2005 and costing around USD 40 million, will be built in the Bursa-Yenişehir Industrial Zone considering its proximity to markets and raw materials logistics.

Anadolu Cam has determined the geographical borders of its activities as the Russian Federation, Balkans, Turkic Republics, Eastern Europe and the Middle East, aiming at becoming the leading glass packaging supplier of the region. In addition to Georgia and the Russian Federation with production facilities today, the whole region is regarded as carrying strategic importance and opportunities for joint-ventures and cooperation are sought after.

The first investment of Anadolu Cam abroad, the **Mina** plant in Georgia, has 69% share of the market and supplies fully the beer and mineral water demand while providing for the majority of the demand for champagne and non-alcoholic beverages.

The Russian Federation holds special place in the vital geography of the Business regarding its size, dynamism and potential. The growth strategy in this market is timely growth and at the same time expand the market while remaining the leading supplier. In line with this strategy, investments are concentrated in regions where international beer producers are located.

Investments in the Russian Federation started in 2001 in the Vladimir region by the **Ruscam Gorohovets** facility. The first furnace has been followed up by the second and third lines adding up to over 1 million bottles/year produced in total.



The glass packaging product range has become the carrier of leading brand names in Turkey through its rich palette of designs, decorations and quality.

This plant is a supplier of beer producers mainly in the central region and provides for the local high quality beer market's demand for specially designed, high performance packaging.

Investments in the Russian Federation have continued with the take over of **Ruscam Pokrovsky** plant at the beginning of 2004 in the Vologda region. The present line has been modernized for the cost of USD 3.5 million.



Continuously growing Ruscam has become the prime supplier of the developing beer sector in the Russian Federation.



Anadolu Cam aims to supply and develop in the long run the local high and medium quality beer market's glass packaging demand that is presently growing at 5%/year and constitutes 86% of the Russian beer sector. The continuously growing demand will be met by a second furnace planned to start production in the second half of 2005 with a cost of USD 25 million.

On the other hand, to be able to better serve the potential of the beer market in the Russian Federation and be in a good position logistically, a new glass packaging plant investment is planned in Ufa, Bashkortostan (**Ruscam Ufa**). With a total of USD 60 million investment and two furnaces, the first stage of this move is to be completed at the end of 2005 while the second phase will be completed in 2006.

The dynamic market in the Russian Federation is developing under the leadership of Anadolu Cam, promising a great future. Opportunities for cooperation and partnership are also sought.

In order to supply stable, good quality and economical sand raw material to the rapidly growing glass packaging capacity in the Russian Federation, a 50% share in the **Balahna** sand facility has also been acquired.

In addition to growth investments, modernization continues to be important and have been carried out at Anadolu Cam's national plants throughout 2004. Development aims to make more light weight containers while at the same time increasing their attractiveness. In the face of consumer demand, projects to set up a sand-decoration line, enhanced printing capabilities and expanded sleeved product capacity have been developed and will be realized in 2005. In addition, moves to establish a design center with sample bottle archive that will allow co-design of bottles together with customers are on the way.

Product development has continued in 2004, with 365 new bottles and 81 new mold designs realized. More than 300 new bottles and more than 60 new mold designs are planned for 2005.

Anadolu Cam will grow rapidly in 2005-2006, increasing production capacity by 50% to 1.5 million tons/year.



The beer market in Turkey is continuously developing and especially in new product launches glass packaging is preferred.

This will put it into first place in glass packaging in the Russian Federation, where it will be realizing half of its production. Anadolu Cam is determined to take advantage of the rich opportunities in its vital geography to become one of the foremost glass packaging suppliers in the world.

The activities in the iron casting field are carried out by **Ferro Döküm** which predominantly serves the automotive sector. With the revitalizing of the domestic automotive sector, 48% of sales have been directed to the internal market while 52% of sales have been directed to the export markets. Per capita production has increased by 20% compared to the previous year.

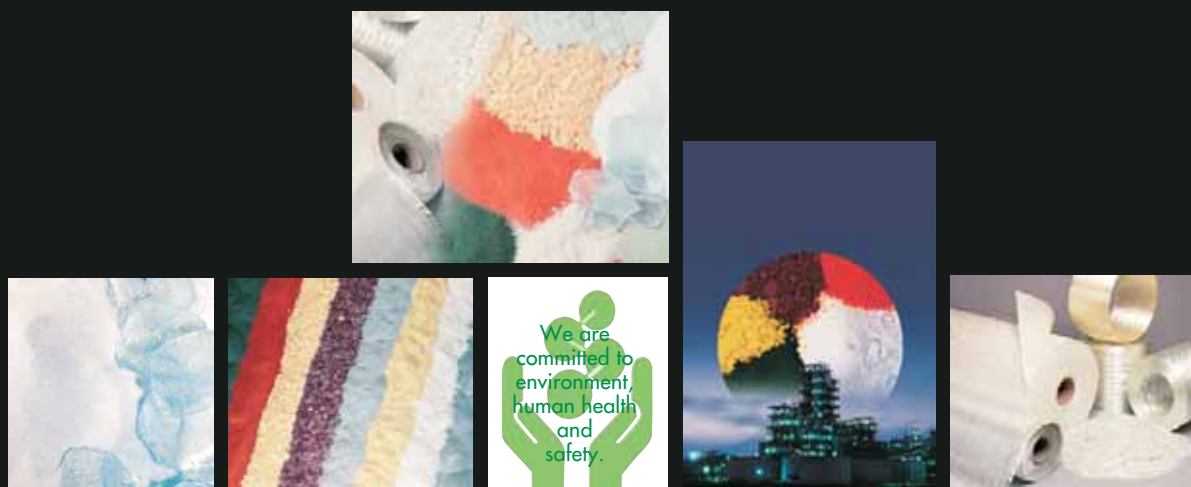


Ferro Döküm has increased its cooperation with firms in the automotive sector, along with growing production of ferrous castings.



Omco Istanbul, the Business' arm in mold production, has provided the glass packaging and glassware sectors with the high quality products they require.

The joint-venture of Anadolu Cam and Omco International in glass industry molds, **Omco Istanbul**, has completely modernized its machine stock with advanced technology machines. With completed investments, mold production has increased by 65%, mold lifetimes have lengthened with better casting quality. Efficiencies have also increased by 10%.



Throughout its product range, the Business has concentrated efforts on development, keeping costs at competitive levels and being a good corporate citizen in terms of environmental protection.



Soda Sanayii has opened its doors to the public as a part of 'responsible care' demonstrating the human health, security and environment friendly production process.

Active participation at trade fairs has as before, been the most effective way to excellent customer relations and sales.



Chemicals Business Combined Financial Highlights* (IFRS)

USD m	2004	2003
Net sales	428	421
International sales	211	207
Gross profit	58	71
Operating profit	1	16
Net profit	15	30
EBITDA	68	77
Net financial debt	(28)	5
Shareholders' equity	558	538
Total assets	736	744
Investments	11	71
Number of employees	2,158	2,192

* Includes Cam Elyaf, Camiř Madencilik, Madencilik San ve Tic. A.ř., Camiř Egypt, Oxyvit Kimya, Camiř Elektrik, Camiř Lojistik in addition to Soda Sanayii.

Soda Sanayii Consolidated Financial Highlights* (IFRS)

USD m	2004	2003
Net sales	229	234
International sales	158	154
Gross profit	24	25
Operating profit	(10)	(10)
Net profit	1	3
EBITDA	25	18
Net financial debt	(10)	5
Shareholders' equity	262	261
Total assets	340	364
Investments	5	15
Number of employees	898	981

* Includes Soda Sanayii and řiřecam Bulgaria Ltd.

The positive economic outlook in world markets and rising prices strengthen confidence in the future. The conversion to natural gas towards mid-2005, will result in cost reduction.

Soda Sanayii is in positive track riding on the upward trends in the global soda ash markets that have become effective in the second half of 2004. The revitalization and expansion in soda ash using sectors has supported an increase of demand and significant improvement in prices. The soaring of demand in some regional markets, particularly China and Russian Federation, is forcing local producers to supply their internal markets. This development has facilitated a move to shift our sales to higher value added markets and increase earnings.

Energy is the main cost input in soda ash production. Besides many industrial inputs, the steady rise of petroleum prices in 2004 has had a negative effect on Soda Sanayii. Particularly damaging has been the overtaxing of fuel oil as an industrial input without alternative. This situation has of course resulted in concentrated efforts to decrease costs and improve productivity. As natural gas is expected to arrive in Mersin in the first half of 2005, priority has been given to investments preparing the facilities for natural gas conversion. When the conversion is realized this will create a downward pressure on costs as well as being a bonus for environmental protection.

Camış Elektrik has on the other hand started the construction of a natural gas cogeneration plant in Mersin. The plant will be benefiting from the high steam usage by Soda Sanayii. The plant to be completed in 2006 will further reduce the costs of obtaining steam. The search for alternative inputs as well as increasing input efficiency have also continued in view of cost cutting. Total productive maintenance applications have allowed very high capacity realization in the facilities. New logistic possibilities have been devised in sales activities to better customer services quality. The Çayirova port depot for which international port security code has been obtained (ISPS) in 2004, has contributed

to sales effectiveness in the domestic market. New contracts have increased sales to regional export markets. The soda ash share from Sodi partnership in Bulgaria has been well utilized. Apart from light and heavy soda, refined sodium bicarbonate has been supplied from Sodi in 2004. In addition, high dividend earnings have also been obtained from Sodi, operating on very high capacity and performance.



Soda Sanayii has always made continuous efforts in preventing environmental effects of its operations and realized high standards which are appreciated nationally and internationally.

The Chromium Chemicals production within Soda Sanayii offers a myriad of chemicals for the leather, wood impregnation, chemicals and paper sectors. Many production facilities in various regions such as China, Taiwan and Italy have stopped production in 2004. This has improved the supply-demand situation in the sector. In addition, due to increases in energy and input costs, product prices in the global market have made a turn for the positive.

In China, which happens to be one of the foremost chemicals markets in the world, a restructured sales organization has increased sales and market share.

Agreement for a partnership has been decided upon with Cromital SpA of Italy, another important leather chemicals market, to increase cooperation. This venture will commence officially in the first half of 2005.

In chromium chemicals production, capacity utilization has soared along with increasing input efficiency and total productive maintenance.



Set up to increase market share and effectiveness in the Far Eastern but particularly Chinese market, Sisecam Shanghai has concentrated efforts in chromium chemicals and other Group products.

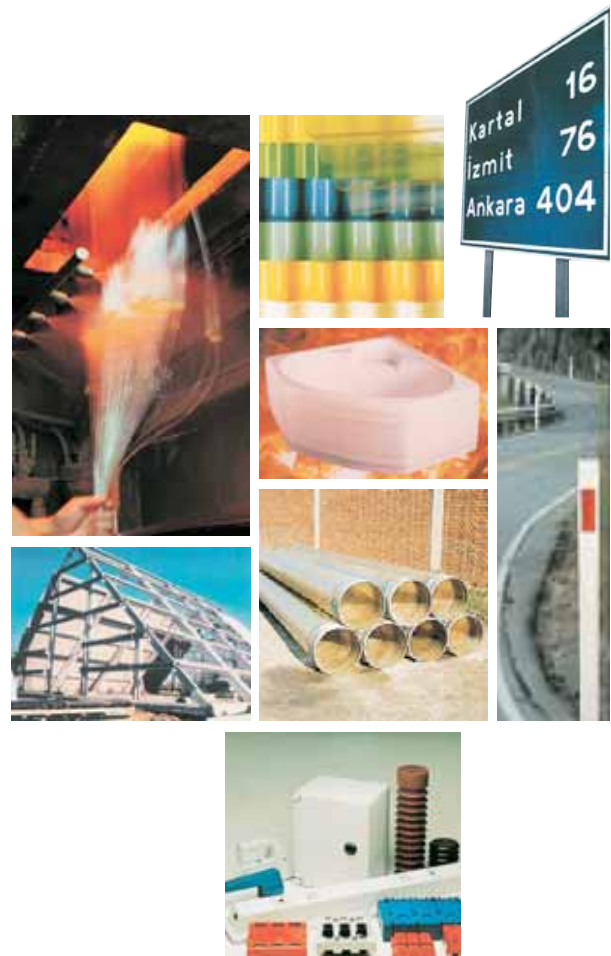
On the whole, productivity increases have been achieved by the realization of improvements in the management structure. Activities to put to work the principle of 'responsible care' a voluntary effort of the global chemicals industry, have intensified. In this program, all parts of the public are considered communication partners, allowing for the unbiased and truthful provision of information. These efforts have captured international attention resulting in various publications. As a fruit of these efforts, the Council of the European Chemicals Industry (CEFIC) has decided to publish the work of Soda Sanayii in its 2003-2004 Responsible Care annual report.

Cam Elyaf continues its activity, developing glass fiber and unsaturated polyester production. These products are the main inputs of glass reinforced plastic composite materials that are fast replacing traditional engineering materials. As the long term growth prospects of glass reinforced plastics continues to be high, the demand for glass fibre and polyester are increasing. Glass reinforced plastics are entering daily life in a myriad of applications from aerospace, defence, construction, and infrastructure to electronics, transport, automotive and food.

The glass reinforced plastics industrialists organization set up with Cam Elyaf leadership in 2004 aims at the expansion of the utilization of glass reinforced plastics materials in Turkey.

Cam Elyaf has improved the performance of its two furnaces in 2004, has also converted to natural gas and achieved positive results regarding cost cutting in production as well as environmental protection. Development activities have resulted in 10 new glass fibre products as well as 15 polyester products. These new products have reached new customers in 6 new countries, expanding the customer base.

Cam Elyaf has attended the JEC Composites Fair during the year and has been accepted as a member to the European Glass Fibre producers Society (APFE). In the polyester segment, the second important production activity of Cam Elyaf, market leadership position is forecast to continue.



New product development activities are increasing at Cam Elyaf in view of the expansion of the glass fibre reinforced plastics market.

The Mersin cogeneration plant will not only produce electricity, Soda Sanayii that will utilize the waste heat in the form of steam will capture an important competitive edge.

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 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. Chicken consumption has been badly influenced by the epidemics that exploded in parts of the world but especially Asia, but Oxyvit has maintained its market share and reinforced its position.

Camiş Madencilik has continued its activity to supply industrial raw materials to Group firms at acceptable quality and prices. It has given support to production firms in the domestic market as well as new investments abroad. Camiş Madencilik will continue its projects to provide glass manufacturing investments with raw materials in Russia and Bulgaria in 2005. **Camiş Egypt** has started production of sand used in borosilicate glass and supplied the relevant producing firms.

Camiş Madencilik will expand its production capabilities in line with the increasing development of the domestic glass production capacity. The raw materials production facility in Bilecik that started construction in 2004 will be commissioned in 2005. Long term reserve plans are continuously updated, research on new fields and resources advances unabated. The new regulatory climate is being monitored and influences on the sector evaluated with the passing of the new Mining Law.

Camiş Elektrik that was established as an auto-producer to provide a secure power supply for glass manufacturers has now become a power producer firm, producing electricity in its present three plants and starting investment for the next one with a capacity of 120 MW, which will be located in Mersin. This new cogeneration plant which will cost around USD 47 million, is planned to come

on stream in 2006. When this investment is complete the electricity production capacity of the firm will have quadrupled and will be providing power to the Group as well selling to the market. The firm is closely watching developments in the liberalizing energy markets of Turkey for further opportunities.



Camiş Elektrik, completing rapidly its new Mersin cogeneration plant investment, serves the Group with its present electricity production capacity, in three locations.



Supplying the glass sector with raw materials, Camiş Egypt is planning to expand production, due to capacity additions in the glass industry.

Camiş Lojistik carries out the national and international transportation operations of the Group firms. In the year 2004, 5.8 million tons of transport volume has been achieved consisting of 4.7 million tons nationally, 1 million tons sea and 138.000 tons land transport internationally.



human resources



The main strands of the human resources approach of the Group can be summarized as; increase employee motivation, enhance sense of belonging, strengthen the interpersonal relationship and communication, provide incentives for longer tenure and opportunities for social activities.



It is very obvious that the most important guarantee of future growth is the human resource. The Group therefore tries to create an enabling climate for the development of satisfaction and proficiency and encourages performance improvement.

All applications and management decisions during the year have taken this policy as a baseline. Projects particularly carried out in the last few years, aimed at enhancing personnel management systems.

Training

Training programs of a rich variety have, at the one hand aimed at easing adoption to new technologies while effectively utilizing them and on the other hand targeted personal, organizational and management improvement. On the technical front, in addition to many new training programs targeting control technologies, the 'Advanced Glass Technology' training given by specialists from the Research and Technology groups, has completed a vital link in a series of technical training programs.

Two courses in particular, that have reinforced the organization's ability to self-adopt to contemporary dynamics, grasp direction of imminent change and develop strategic thinking capabilities, merit mention. These were, 'Changes in the Business Environment', and 'Strategic Thinking Abilities for Managers'. The MBA Club Program aiming at developing management capabilities, has provided 35 different headings through e-learning since 2003. Trainees have demonstrated a high level of enthusiasm while completing this concentrated and long drawn training program. Another training program, initiated to target personal development in 2004, has started to carry on new meaning with the formidable size of foreign investments. Once again, e-learning methods have been utilized for this program.

Throughout the Group, total training has reached 114.517 person-hours for 43.438 people. This is a very clear signal of the importance given to the development of the human resource and the determination to achieve the Şişecam vision.

Our most cherished value, the creativity, abilities, motivation and loyalty of our human resource, is also the guarantee of a bright future.

Industrial Relations

There have been important developments in industrial relations in the year 2004, with intensive activities carried out regarding the Glass Workplaces 19th Period Collective Agreement. The government, taking into consideration the important place of Şişecam in Turkish economy and social life, has twice postponed the strike decisions taken by Kristal-İş trade union after disagreement between the parties. After the second decision to postpone, the parties have come to an understanding and signed a three year agreement. The whole story, with its legal and industrial relations dimensions, deserves a special place in Turkish industrial relations history and will leave its traces.

On the other hand, collective bargaining between Petrol-İş trade union and Soda Sanayii, as well as Çimse-İş trade union and Denizli Cam have resulted in collective agreements.

The dispute between Kristal-İş and Çimse-İş trade unions on authorization for collective bargaining in Paşabahçe Eskişehir, has been taken to the courts and has not been resolved to date. In Ferro Döküm which is a MESS workplace, the industry-wide collective agreement between MESS and Türk Metal trade union is valid.

Despite strong competitive pressure both nationally and internationally, disruptive global dynamics manifesting itself in rapid economic and technological change and unstable price/cost balances, Group firms have behaved in a very responsible way, finalizing collective agreements covering 7500 workers thus supporting in a strong manner the economic developments in all sectors but particularly the automotive sector and contributing to industrial peace.

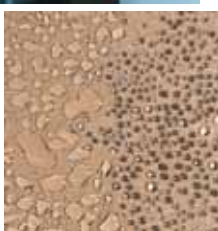
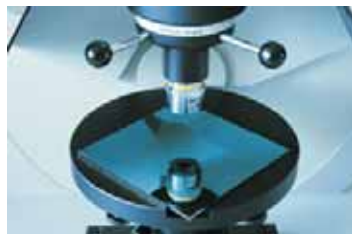
After the coming into force of the new Labour Law, the government has worked on a series of directives harmonizing Turkish Laws with ILO and EU legislation. The Group has continued work on matters relating to occupational health and safety, and to that end observations, measurements and analysis in workplaces as well as periodical check-ups in health units have been intensified. Work accidents have decreased in 2004 and the project to lower risks of occupational illness started in 1990 has continued unabated.



New projects have been initiated for the continuous development of the work force, better working conditions as well as improved occupational health and safety.

Occupational health and safety has been the primary topic of training sessions at workplaces directed towards employees and sub-contractors. Blue collar workforce has been educated on the risks in the workplace, use of protective accessories, technical safety and legal rights and responsibilities as well as social life aspects of all these topics.

In 2005, the Group will ensure the realization of those rights and responsibilities stipulated by the new collective agreement, and carefully conform to any further legislation that might come into force.



Şişecam develops state-of-art coatings for modern buildings and vehicles employing technologies it has developed in house.

Besides advanced analytical techniques, a highly trained workforce is essential in developing and designing novel physical and chemical properties as well as colors in glass.



2004 has witnessed intensive capacity increasing investments as well as greenfield construction in Şişecam's vital geography. During this period, the design, project management and construction activities of a record number of 17 new glass furnaces have been completed.

The number of plants operating in the Russian Federation, Bulgaria and Georgia has reached 7 in the year 2004. The prospective membership of Romania and Bulgaria in the EU in 2007, the Turkish accession talks all put new meaning on this new drive towards investments abroad. Şişecam is moving to become a multi-country, multi-cultural global player throughout its business processes in a sector where cut throat competition is the international norm rather than the exception. This investment and consolidation period poses new challenges regarding development of the human resource as well as management and transfer of technological know-how. It is crucial that this challenge is achieved via a process that is beneficial and sustainable to the Group.

Efforts have intensified regarding the development of fusion and forming technologies, surface techniques and in general new product development to achieve high productivity and enhanced performance in new investments. Mathematical modelling targeting furnace design has been used intensively throughout this period and has served as a tool to increase efficiency of production operations. In foreign production, a rich heritage of technical problem solving in manufacturing has had to deal with different challenges regarding raw materials, equipment, human resources and operational expertise. It can be said that this process of technology transfer in commissioning and continuing with production proper, has been achieved successfully, preparing the ground for furthering technological acumen.

Mathematical modelling has today become a tool for furthering the understanding of almost all parts of the production process thus allowing for better control.

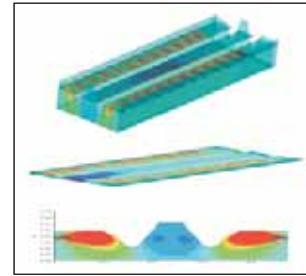
The nature of technical knowledge based on the multi-disciplinary and multi-sectoral character of production infrastructure has been critical in creating synergy to allow successful completion of projects.

It has therefore become the critical factor in productivity increases as well as the general enhancement of technological development capacity. The gradually increasing capabilities of Şişecam in this field allows ever increasing steps of the production process to be handled. Some of the highlights of this activity have been; modelling stepwise combustion to lower NO_x emissions from glass furnaces, improve thermodynamic performance of regenerator designs, analysis of fibre forming in view of improving productivity, modelling of tempering and bending behaviour of flat glass.

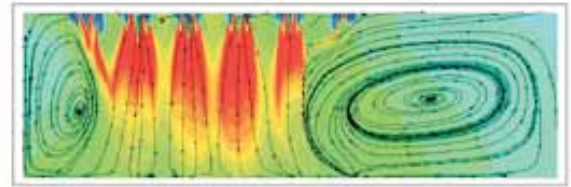
Surface coatings have continued to add value to the flat glass product range in 2004. Proto-type hydrophilic, hydrophobic, self-cleaning coatings have been developed and tested. New titania solar control products demonstrating enhanced solar control in bright sunlight which at the same time carry the substrate color to reflection giving a novel aesthetic expression, have also been developed. Solgel coatings used in printing processes continue to provide opportunities for cost cutting in glass packaging production. Solar cells research has yielded a novel method of producing low temperature semi-conducting titania of anatase crystalline form, which will be protected by a patent.

Şişecam is also one of the pioneers in channeling the national scientific and technological know-how through university-industry collaborations for industrial innovation, securing not only today but tomorrow, working on products of the future via solar cells, electrochromic coatings, conductive substrates for electro-optic applications. The cooperation with Tübitak-MAM (National Research Institute) on developing an environmentally friendly mirror manufacturing process has met success with trial production on the way.

Electronic measurement and control remains the one technological field critical to process control and productivity rise in the manufacturing process. In another collaboration with TUBITAK-MAM, laser based opto-electronic devices that may be used in various points in the production process such as on-line stress measurement, glass level determination and flaw control, have been successfully developed and used. Global competition and international investments have made even more important the international accreditation of all technical support systems.



Mathematical modelling of the forehearth region in glass production where thermal homogenization is achieved prior to forming.



The modelling of the combustion space in a float furnace.

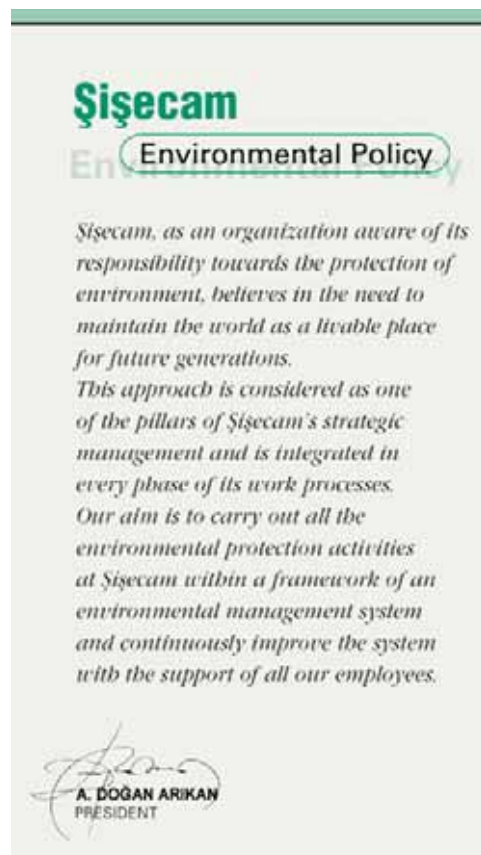
Previously carried out nationally by TSE (Turkish Standards Institute), these have now been taken over by the newly formed Turkish Accreditation Institute (TURKAK) for international accreditation. Due importance has been given to this issue which is sure to be one of the critical sticking points in the EU accession talks. In view of harmonization regarding the 'single market' directives of the EU, necessary measures are being taken in preparation of the CE mark in building products.

The fundamental approach in environmental protection is to prevent pollution at the source or utilize primary measures to reduce it.

Environmental concerns have come to occupy center stage in global affairs today. The Şişecam Environmental Policy declaration states that environmental protection is one of the major elements of its strategic management approach guiding all the production activities of the Group. Environmental management systems are the skeleton of all activities aiming at improving environmental performance and environmental management.

As is well known, clean fuel utilization and energy efficiency are the two most important sources for the reduction of the environmental burden, particularly in energy intensive sectors such as glass. Some of the more important headlines underlining the above mentioned aspects are; the use of natural gas wherever possible, continuous energy monitoring, taking advantage of all energy efficiency opportunities, utilizing waste heat for steam/hot water, LoNOx burners in all new plants, modelling to lower NOx emissions by employing stepped combustion techniques. The abandoning of all designs, processes, raw and auxiliary materials proven to be environmentally risky to use environmentally sound alternatives is a must. To this end intensive pressure to bring natural gas to Mersin area has given fruit. The cost of natural gas conversion in all plants is forecast to total around USD 3.8 million.

Although preventing pollution at its source is the principle, in situations where this is not possible, pollution control and refinement technologies are utilized. To make sure of environmentally benign discharge of process water and chimney emissions, all new plants are equipped with refining units and old ones continuously monitored for improvements. A close tab is kept on available and high performing technologies in the field.



The total cost of improving environmental performance of present plants and as well as new processes and investments have amounted to USD 6.5 million in 2004.

Şişecam has striven to make a contribution to national environmental regulation, that should be realistic, protects national sustainable development goals and the competitive power of Group production firms. EU and World Bank regulation is closely watched in this respect and national as well as international bodies working on environmental issues are attended, increasing preparedness relevant experience.

Şişecam has actively took part in national efforts to produce an inventory of industrial greenhouse gas emissions, a compulsory clause of the UN Framework Convention on Climate Change signed by Turkey in 2004.

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

Consolidated Financial Statements
Prepared in Accordance with
International Financial Reporting Standards (IFRS)

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 at 31 December 2004, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of the Turkish Lira at 31 December 2004. 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 audit.

2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. 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. We could not obtain sufficient data to enable us to assess the necessity of an impairment reserve for those investments.

4. In our opinion, except for such adjustments as may be necessary in respect of the matters set out in the above paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2004, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member of DELOITTE TOUCHE TOHMATSU

Hüseyin Güler

Partner

İstanbul, 31 March 2005

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

Consolidated Balance Sheets as at 31 December 2004 and 2003

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the YTL at 31 December 2004)

ASSETS	Note	31 December 2004	31 December 2003
Current Assets			
Cash and cash equivalents	4	388.058.540	197.985.053
Held for trading investments	5	2.750.235	696.461
Trade receivables (net)	6	353.738.989	325.822.105
Due from related parties	7	765.642	759.214
Inventories (net)	8	367.241.607	349.789.726
Other receivables and current assets (net)	9	34.189.083	28.516.888
Total Current Assets		1.146.744.096	903.569.447
Long Term Assets			
Investments (net)	10	383.392.080	391.054.681
Positive goodwill (net)	11	20.764.871	23.160.564
Negative goodwill (net)	12	(178.844.673)	(186.814.044)
Property, plant and equipment (net)	13	2.360.503.034	2.353.796.218
Intangible assets (net)	14	6.058.817	5.907.089
Other receivables and long term assets	15	1.088.120	992.914
Total Long Term Assets		2.592.962.249	2.588.097.422
Total Assets		3.739.706.345	3.491.666.869

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 2004 and 2003

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the YTL at 31 December 2004)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2004	31 December 2003
Current Liabilities			
Short term borrowings	16	339.818.652	290.376.719
Trade payables (net)	17	105.588.770	102.535.819
Due to related parties	7	7.335.676	5.206.719
Advances received		5.731.812	6.357.259
Other payables and current liabilities	18	50.789.899	64.374.217
Corporate tax payable	19	17.223.871	40.076.281
Total Current Liabilities		526.488.680	508.927.014
Long Term Liabilities			
Long term borrowings	16	253.633.074	258.668.818
Other long term liabilities		975.205	42.201
Retirement pay provision	20	120.757.042	121.119.755
Deferred tax liabilities (net)	19	204.017.950	192.714.598
Total Long-Term Liabilities		579.383.271	572.545.372
Total Liabilities		1.105.871.951	1.081.472.386
Minority Interest			
Capital and reserves	21	581.138.349	528.323.025
Period profit	21	60.754.324	71.887.573
Total Minority Interest		641.892.673	600.210.598
Shareholders' Equity			
Capital	23	423.500.000	285.000.000
Adjustments to capital	23	20.500.402	137.577.657
Premium in excess of par	23	5.457.477	5.027.503
Legal reserves	23	221.458.122	197.622.837
Translation reserves		(1.717.351)	731.652
Investments revaluation reserves		8.892.311	11.981.366
Retained earnings		1.126.957.983	972.487.908
Net period profit		186.892.777	199.554.962
Total Shareholders' Equity		1.991.941.721	1.809.983.885
Total Liabilities and Shareholders' Equity		3.739.706.345	3.491.666.869

Commitments and contingencies

22

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 2004 and 2003

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the YTL at 31 December 2004)

	Note	2004	2003
Net sales	24	2.185.572.987	2.062.815.158
Cost of sales	25	(1.471.491.640)	(1.363.664.542)
Gross profit		714.081.347	699.150.616
Operating expenses	26	(399.884.221)	(393.315.819)
Operating profit		314.197.126	305.834.797
Finance (expenses)/income (net)	27	(11.800.181)	10.952.938
Other expenses (net)	28	(25.089.605)	(53.090.339)
Monetary gain		68.041.735	40.369.437
Profit before taxation and minority interest		345.349.075	304.066.833
Taxation	19		
- current tax expense		(63.068.226)	(83.698.650)
- deferred tax (charge)/benefit		(34.633.748)	51.074.352
Profit before minority interest		247.647.101	271.442.535
Minority interest	21	(60.754.324)	(71.887.573)
Net profit		186.892.777	199.554.962
Earnings per share (share with TRY 1 value)	3.v	0,46	0,50

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 2004 and 2003

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the YTL at 31 December 2004)

	Capital	Adjustments to Capital	Premium in Excess of Par	Legal Reserves	Translation Reserves	Available-for-sale Investments Revaluation Reserves	Retained Earnings	Total
Balance as of 1 January 2003	285.000.000	137.577.657	5.027.503	186.731.718	2.141.479	37.079.514	983.379.027	1.636.936.898
Transfer to legal reserves	-	-	-	11.966.501	-	-	(11.966.501)	-
Effect of disposal of subsidiary	-	-	-	(1.075.382)	-	-	1.075.382	-
Decrease in fair value of available-for-sale investments	-	-	-	-	-	(25.098.148)	-	(25.098.148)
Exchange differences on foreign operations	-	-	-	-	(1.409.827)	-	-	(1.409.827)
Net profit for the year	-	-	-	-	-	-	199.554.962	199.554.962
Balance as of 31 December 2003	285.000.000	137.577.657	5.027.503	197.622.837	731.652	11.981.366	1.172.042.870	1.809.983.885
Cash increase in share capital	20.599.787	822.958	429.974	-	-	-	-	21.852.719
Non-cash increase in share capital	117.900.213	(117.900.213)	-	-	-	-	-	-
Transfer to legal reserves	-	-	-	23.835.285	-	-	(23.835.285)	-
Dividends paid	-	-	-	-	-	-	(21.249.602)	(21.249.602)
Decrease in fair value of available-for-sale investments	-	-	-	-	-	(3.089.055)	-	(3.089.055)
Exchange differences on foreign operations	-	-	-	-	(2.449.003)	-	-	(2.449.003)
Net profit for the year	-	-	-	-	-	-	186.892.777	186.892.777
Balance as of 31 December 2004	423.500.000	20.500.402	5.457.477	221.458.122	(1.717.351)	8.892.311	1.313.850.760	1.991.941.721

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 2004 and 2003

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the YTL at 31 December 2004)

	Note	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		186.892.777	199.554.962
Adjustments to reconcile net profit to net cash provided by operating activities:			
- Depreciation of property, plant and equipment	13	304.827.569	239.210.034
- Amortization of intangible assets	14	989.532	1.097.603
- Negative goodwill released to income (net)	11-12	(18.392.495)	(4.623.898)
- Accrued exchange losses and interest on borrowings		6.206.341	8.406.849
- Provision for retirement pay	20	14.750.467	12.551.966
- Changes in allowance for doubtful receivables	6	(3.750.419)	2.619.960
- Changes in allowance for diminution in value of inventories	8	178.585	(2.699.301)
- Minority interest	21	60.754.324	71.887.573
- Accrued taxation net of monetary (loss) / gain	19	74.371.578	(2.417.640)
Operating cash flow provided before changes in working capital		626.828.259	525.588.108
- Changes in working capital	30	(56.503.414)	26.899.318
Cash generated from operations		570.324.845	552.487.426
- Corporate taxes paid	19	(85.920.639)	(84.983.921)
- Retirement benefits paid	20	(15.113.180)	(8.548.192)
Net cash provided by operating activities		469.291.026	458.955.313
CASH FLOWS FROM INVESTING ACTIVITIES			
- Changes in held for trading investments (net)	5	(2.053.774)	8.742.582
- Changes in investments (net)	10	4.573.546	1.981.431
- Goodwill recognized during the year	11-12	12.818.817	180.604.453
- Purchases of property, plant and equipment	13	(343.015.547)	(247.901.232)
- Purchases of intangible assets	14	(1.146.224)	(699.156)
- Net book value of property, plant and equipment disposed	13	31.481.162	63.324.372
- Net book value of intangible fixed assets disposed	14	4.964	158.402
- Exchange differences on foreign operations		(2.449.003)	(1.409.827)
- Changes in other investing activities	31	837.798	(326.831)
Net cash (used in)/provided by investing activities		(298.948.261)	4.474.194
CASH FLOWS FROM FINANCING ACTIVITIES			
- Changes in borrowings		38.199.854	(1.769.710)
- Dividends paid		(21.249.602)	-
- Increase in capital and premium in excess of par		21.852.719	-
- Changes in minority interests (net)	21	(19.072.249)	(399.386.496)
Net cash provided by/(used in) financing activities		19.730.722	(401.156.206)
NET CHANGES IN CASH AND CASH EQUIVALENTS		190.073.487	62.273.301
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4	197.985.053	135.711.752
Cash and cash equivalents at the end of the year	4	388.058.540	197.985.053

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 2004 and 2003

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the YTL at 31 December 2004)

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 33 companies and 3 joint ventures in which the Company owns a majority shareholding and/or effectively controls their management.

The Group was established 69 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 for over 19 years. As of the balance sheet date, İş Bankası owns 66,1% of the shares and controls the Group.

Consolidated subsidiary undertakings

The nature of the businesses and for the purpose of these consolidated financial statements, 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, automotive glass and processed 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
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
Posuda Ltd.	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 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 ve Tic. A.Ş. (*)	Logistic services	Turkey	Chemicals
Cam Pazarlama A.Ş.	Export company of the Group	Turkey	Other
Cam Ürünleri İşleme San. ve Tic. 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 2004		31 December 2003	
	Proportion of direct ownership %	Proportion of effective interest %	Proportion of direct ownership %	Proportion of effective interest %
Trakya Cam Sanayii A.Ş.	67,07	66,56	65,95	65,43
Trakya Glas Bulgaria EAD.	100,00	66,56	100,00	65,43
Trakya Cam Investment B.V.	100,00	66,56	100,00	65,43
Çayırova Cam Sanayii A.Ş.	68,40	52,74	68,40	52,40
Paşabahçe Cam Sanayii ve Tic. A.Ş.	99,36	90,11	99,36	89,99
Paşabahçe Eskişehir Cam San. ve Tic. A.Ş.	100,00	88,03	100,00	87,91
Denizli Cam San. ve Tic. A.Ş.	51,00	40,80	51,00	40,72
Camiş Ambalaj Sanayii A.Ş.	100,00	93,93	100,00	93,88
Paşabahçe Mağazaları A.Ş.	100,00	65,83	100,00	65,65
Paşabahçe Investment B.V.	100,00	90,11	-	-
Posuda Ltd. Şti.	100,00	90,11	-	-
Anadolu Cam Sanayii A.Ş.	79,81	78,42	79,81	78,41
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	-	-
Balsand B.V.	51,00	39,99	-	-
OOO Ruscam Ufa	100,00	39,99	-	-
Ferro Döküm Sanayii ve Tic. A.Ş.	100,00	71,01	100,00	70,90
Cam Ürünleri İşleme San. ve Tic. A.Ş.	100,00	90,07	100,00	89,99
Anadolu Cam Investment B.V.	51,85	40,66	51,85	40,66
Soda Sanayii A.Ş.	84,92	75,24	84,92	75,02
Şişecam Bulgaria Ltd.	100,00	75,24	100,00	75,02
Cam Elyaf Sanayii A.Ş.	98,35	74,44	98,35	74,15
Camiş Madencilik A.Ş.	21,54	16,98	21,54	16,88
Camiş Egypt Mining Ltd. Co.	99,70	16,93	99,70	16,83
Camiş Elektrik Üretim A.Ş.	100,00	69,66	100,00	69,17
Madencilik San. ve Tic. A.Ş.	100,00	90,05	100,00	89,96
Cam Pazarlama A.Ş.	99,66	92,04	99,66	91,98
Camiş Lojistik Hizmetleri ve Tic. A.Ş.	69,58	28,80	69,58	28,74
Camiş Limited	100,00	94,65	100,00	94,59
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	100,00	99,81	-	-
Camiş Sigorta Hizmetleri A.Ş.	100,00	84,62	100,00	84,51

Joint Ventures:

The Group has three joint ventures. The nature of the businesses and for the purpose of these consolidated financial statements, the respective business segments of the joint ventures and the Group's proportion of direct and effective ownership interests are as follows:

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
Balkum Ltd.	Sand processing and sales	Russia	Glass packaging

Company name	31 December 2004		31 December 2003	
	Proportion of direct ownership %	Proportion of effective interest %	Proportion of direct ownership %	Proportion of effective interest %
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
Balkum Ltd.	50,00	50,00	-	-

The Group's unconsolidated subsidiaries are presented in Note 10.

2. Basis of the Consolidated Financial Statements

Basis of presentation of consolidated financial statements:

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

On 15 November 2003, Capital Market Board ("CMB") published Communiqué No: 25 of Series XI, "Communiqué on Capital Market Accounting Standards". The Communiqué is applicable to the first interim financial statements ending after 1 January 2005 and is effective from the date of publishing. However, companies may choose to adopt Communiqué No: 25 of Series XI, for years or interim periods ending on or after 31 December 2003.

As explained in "Communiqué on Amendment of Communiqué on Capital Market Accounting Standards" (Series XI, No: 27) and "Additional Article 1" on "Communiqué on Capital Market Accounting Standards", without prejudice to accounting standards explanations published by the Board including financial statements, report and disclosure formats, the companies' International Financial Reporting Standards ("IFRS") applications is counted for fulfillment of provisions of preparation of financial statements and public announcement in accordance with Communiqué numbered Series XI, No: 25.

Consequently, the Company prepares and publicly announces its financial statements starting from 31 December 2003 in accordance with IFRS. The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with Statements of IFRS.

The basis of the financial statements used in the preparation of the accompanying financial statements is set out below and in Note 3.

Inflation accounting:

In the accompanying financial statements, restatement adjustments have been made to compensate the effect of changes in the general purchasing power of the Turkish Lira in accordance with International Accounting Standard No. 29. ("Financial Reporting in Hyperinflationary Economies").

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey was 69,7% for the three years ended 31 December 2004 based upon the wholesale price index announced by the Turkish State Institute of Statistics.

Following indicators may necessitate the application of IAS 29 although the price index do not increase at the above mentioned level: since majority of the people keep their savings in foreign currencies, the prices of services and goods are set in terms of foreign currencies, interest rates and wages are expressed in terms of the inflation indexes, and the market prices are determined taking into account the losses due to the credit sales including the short term transactions.

The restatement was calculated by means of conversion factors derived from Turkish State Institute of Statistics price index. Such index and the conversion factors used to restate the accompanying consolidated financial statements as of the end of each year to 31 December 2004 are given below:

Dates	Index	Conversion Factor
31 December 2001	4.951,7	1,6971
31 December 2002	6.478,8	1,2971
31 December 2003	7.382,1	1,1384
31 December 2004	8.403,8	1,0000

The annual change in the YTL exchange rate against USD and Euro can be compared with the rates of general price inflation in Turkey according to the WVPI as set out below:

Yıllar:	2004	2003	2002	2001
Currency change USD (%)	(3,9)	(14,6)	13,5	114,3
Currency change Euro (%)	4,7	2,4	34,3	105,0
WVPI inflation (%)	13,8	13,9	30,8	88,6

At 31 December 2004 the exchange rate announced by the Turkish Central Bank was YTL 1,3421 = USD 1, YTL 1,8268= Euro 1 (31 December 2003:YTL 1,3958 =USD 1, YTL 1,7451= Euro 1).

The main guidelines for the IAS 29 restatement are as follows:

- All balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI). Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value. Depreciation is similarly restated. The components of shareholders' equity are restated by applying the applicable general price index from the dates the components were contributed or otherwise arose.
- All items in the statement of income, except non-monetary items in the balance sheet that have effect over statement of income, are restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the financial statements.
- The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in net income.

The law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting effective from 1 January 2004. According to the law, corporate tax base shall be determined by taking inflation accounting adjustments into consideration when cumulative inflation rate exceeds 100% in the last 36 months or 10% in the last 12 months. Such cumulative rates were realized as 69,7% and 13,84% in the last 36 and last 12 months respectively, showing that inflation accounting application conditions were realized as prescribed by the law. For this reason, period tax provision is determined in accordance with the Tax Procedure Law's clauses.

New Turkish Lira:

Law 5083 on Currency of Republic of Turkey, effective 1 January 2005, defines the currency as New Turkish Lira (YTL) and the sub-currency as "New Kuruş" (YKR). Article 2 of the same law equates one million Turkish Lira to one New Turkish Lira by omitting last six digits of Turkish Lira (1.000.000 TL = 1 YTL). In accordance with CMB's decree MSD-10/832 -43399 dated 1 December 2004, financial statements that will be announced to the public in the year 2005 including prior period numbers included therein, must be presented in YTL.

Consolidation:

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company as explained in Note 1. Adjustments are made to eliminate intercompany sales and purchases, intercompany receivables and payables and intercompany equity investments. Entities in which the Company, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated. All significant transactions and balances between the Company and its consolidated subsidiaries are eliminated on consolidation. In cases where the consolidated entities are not 100% owned, the shareholders' equity and net income, which belong to third party shareholders are separately disclosed as minority interest (Note 21).

The Group reports its interests in jointly controlled entities using proportionate consolidation method. The application of the proportionate consolidation method ends, whenever control over joint venture ceases. The method of proportionate consolidation method is the same as the line-by-line consolidation. Before starting the processes related with joint venture consolidation, the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Consolidated financial statements prepared after these processes do not include minority interest. The nature of the transaction between the joint ventures and Group is considered for the preparation of financial statements. Accordingly, whenever a profit is realized from the sales or transfer of an investment to joint ventures, only the part of the profit that is related with the enterprises other than Group is considered.

Enterprises 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 Company in the investee company's results of operations is recognised 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 investment.

In accordance with IAS 21 "Effects of Changes in Foreign Exchange Rates", the assets and liabilities of Group undertakings using a measurement currency other than Turkish lira are translated into Turkish lira by using the closing rate at the balance sheet date. The results of such Group undertakings are translated into Turkish lira by using the average exchange rate for the year. 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. Such translation reserves are recorded as income or loss at the time of disposal.

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.

3. Summary Of Significant Accounting Policies

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

a. Related parties

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

b. Investments

Investments are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net 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.

c. Trade receivables

Trade receivables are carried at anticipated realizable value that is the net of trade receivables measured at amortized cost method using the effective interest rate in accordance with IAS 39 and allowance for doubtful receivables. The allowance for doubtful receivables is based on Group's evaluation of the receivables, including such factors as the volume type of receivable outstanding, collateral obtained, past experience and economic conditions. Bad debts are written-off during the year in which they are identified.

d. Inventory valuation

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

e. Tangible fixed assets

Property, plant and equipment are carried at cost less accumulated depreciation in the consolidated financial statements. Depreciation is provided on property, plant and equipment on a straightline basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

f. Impairment of assets

Long term assets other than deferred tax assets and financial assets are tested for impairment according to the provisions of IAS 36 ("Impairment of Assets"). IAS 36 requires an impairment loss to be recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount of an asset is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its life.

g. 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.

h. Taxation and deferred income taxes

Turkish tax legislation does not permit a parent company and its subsidiaries 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. For this reason, deferred tax asset and liabilities as of 31 December 2004 are calculated over tax bases that are adjusted to inflation according to Amendment on Income Tax and Corporate Tax Law of Law No. 5024 published on 30 December 2003.

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.

i. Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. The total provision represents the vested benefit obligation as at the balance sheet date.

j. Foreign currency transactions

In the statutory accounts of the Group companies, transactions in foreign currencies (currencies other than YTL) are translated into New Turkish Lira at the rates of exchange ruling at the transaction dates. 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.

k. Revenue recognition

Revenues are recognised 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 commissions. Interest income is recognised on an effective yield basis and dividend income is recognised when the Group's right to receive payment is established.

l. Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand and time deposits with banks. Interest accrued on time deposits are measured with amortized cost method using the effective interest rate. The interest amount accrued to date but not received at the balance sheet date is included in cash and banks.

m. Finance leases - the Group as lessee

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

n. Financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled, between willing parties. 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 herein may not necessarily be indicative of the amounts the Group could realize in a current market exchange.

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

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

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

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

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

Trade receivables and payables: Book values of the trade receivables along with the related allowances for uncollectibility and trade payables balances are estimated to be their fair values, except receivables and payables discounted to their present value when they hold significant credit periods.

Due to and from related parties: The carrying value of the due to and due from related parties are estimated to be their fair value except receivables and payables discounted to their present value when they hold significant credit periods.

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.

The Group deals with financial instruments with off-balance sheet risk in the normal course of business such as letters of credit, etc. The Group's exposure to losses arising from these instruments is represented by the contractual amount of those instruments.

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 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.

The Group obtains funds from local and foreign banks and institutions by receiving loans.

o. Goodwill

Positive and negative goodwill arise on consolidation in cases where the purchase consideration paid by the Company or its consolidated subsidiaries is different from the fair value of assets acquired. Goodwill is amortised using the straightline method over 7 to 20 years. The goodwill is reviewed every year and when necessary permanent diminutions in value are recorded as impairment loss.

Negative goodwill comprising any excess, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition is capitalized. Negative goodwill is presented as a deduction from the assets in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquirer's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised as income in the income statement when the future losses and expenses are recognised. To the extent that negative goodwill does not relate to identifiable expected future losses and expenses that can be measured reliably at the date of acquisition, the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets should be recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable or amortisable assets. The amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets should be recognised as income immediately.

p. Legal mergers

Legal mergers represent transactions between subsidiaries of the Group and are not dealt with in accordance with IAS 22 ("Business Combinations"). Consequently, there is no recognition of any new goodwill or negative goodwill. Similarly, the effect of all transactions between the legally merged enterprises, whether occurring before or after the legal merger are eliminated in the preparation of the consolidated financial statements.

r. Offsetting

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

s. Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

t. Reclassifications

Certain classifications have been made to the prior year financial statements to comply with the current year presentation. Such reclassifications have no effect on the results of the operations and shareholders' equity.

u. 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 the Group's primary segmental financial reporting (see note 29).

v. Earnings per share

As required by IAS 33, the calculation of basic earnings per share for the period ended 31 December 2004 has been calculated including the impact of bonus shares issued.

A summary of the weighted average number of shares outstanding during the period ended 31 December 2004 and the basic earnings per share calculation (one share equals to 1 YTL) is as follows:

	2004	2003
Number of shares outstanding at 1 January	285.000.000	285.000.000
Bonus shares issued	118.084.800	-
New shares issued (cash increase)	20.415.200	-
Number of shares outstanding at 31 December	423.500.000	285.000.000
Weighted average number of shares outstanding during the year	409.908.511	403.084.800
Net profit	186.892.777	199.554.962
Earnings per share (one share equals to 1 YTL)	0,46	0,50

y. Profit distribution

The companies, which are obliged to prepare consolidated financial statements according to CMB Communiqué XI No: 25/IFRS clauses, do not include profit of its subsidiaries, joint ventures and equity participations that appear in consolidated financial statements, yet has no general assembly minute regarding profit distribution, in distributable profit calculation.

According to CMB Communiqué XI No: 25, starting from 1 January 2004, the companies are obliged to distribute at least 30 % (2003:20%) of distributable profit determined according to income resulting from 2004 operations calculated based on IFRS financial statements. Profit distribution could be made either in cash or as bonus shares or cash and bonus shares in specified proportions, not being lower than 30 % (2003:20%) of distributable profit.

Moreover, according to CMB resolution numbered 7/242 dated 25 February 2005, profit distribution amount, complying with the Board's profit distribution arrangements, calculated over net distributable profit determined in accordance with the Board's arrangements, shall be distributed in full if it can be met from statutory distributable profit. If profit distribution amount exceeds statutory distributable profit, statutory distributable profit shall be distributed in full. No profit distribution will be made if there is current period loss in either financial statements prepared in accordance with the Board's standards or statutory records.

4. Cash and Cash Equivalents

	31 December 2004	31 December 2003
Cash on hand	177.482	193.404
Demand deposits	103.843.218	25.913.968
Time deposits	283.340.096	169.864.625
Payment orders given	-	33.022
Other liquid assets	697.744	1.980.034
	388.058.540	197.985.053

Time Deposits

Currency	Interest Rate %	Maturity	31 December 2004	31 December 2003
EUR	1.0-3.25	January-February 2005	147.936.502	107.362.334
YTL	16.00-22.50	January 2005	93.756.456	36.179.894
USD	2.00-3.25	January-July 2005	41.534.852	25.864.458
Other foreign currency equivalents	3.20	January 2005	112.286	457.939
			283.340.096	169.864.625

5. Held-for-Trading Investments

	31 December 2004	31 December 2003
Equity shares	35.422	32.761
Investment funds	634.131	225.760
Government bonds and treasury bills	2.080.682	354.363
Other investments	-	83.577
	2.750.235	696.461

Treasury bills/Government bonds	Nominal value	Maturity	YTL
31 December 2004	2.174.990	June 2005	2.080.682
31 December 2003	316.735	January 2004	354.363

6. Trade Receivables (Net)

	31 December 2004	31 December 2003
Trade receivables	316.117.271	300.340.936
Notes receivable	35.898.300	30.546.364
Discount on notes receivables	(3.153.943)	(5.690.285)
Deposits and guarantees given	265.105	264.595
Other trade receivables	4.561.015	285.869
Doubtful trade receivables	8.022.937	11.796.741
Allowance for doubtful receivables	(7.971.696)	(11.722.115)
	353.738.989	325.822.105

Allowance has been made for estimated irrecoverable amounts. This allowance has been determined by reference to past default experiences. Movements in the allowance for doubtful receivables during 2004 and 2003 are as follows:

	2004	2003
Balance at 1 January	(11.722.115)	(9.102.155)
Charge for the year	(4.609.616)	(4.129.984)
Collections	6.934.908	130.909
Monetary gain	1.425.127	1.379.115
Balance at 31 December	(7.971.696)	(11.722.115)

The Group holds the following collaterals for the trade receivables:

	31 December 2004	31 December 2003
Letters of guarantee	102.514.043	53.817.020
Notes and bills	15.131.976	6.044.961
Mortgages	12.189.857	10.507.439
Others	5.305.044	-
	135.140.920	70.369.420

7. Balances and Transactions with Related Parties

	31 December 2004	31 December 2003
Deposits at İş Bankası		
Demand Deposit	39.775.176	22.559.200
Time Deposit	254.378.634	169.206.417
	294.153.810	191.765.617
Loans received from İş Bankası	29.163.061	40.571.005
Due from related parties		
Paşabahçe Mağazaları B.V.	288.551	476.706
OOO Paşabahçe Mağazaları	213.473	-
Solvay Sodi	151.727	-
Paşabahçe USA Inc.	101.331	271.999
Mepa Merkezi Pazarlama A.Ş.	6.965	-
Istanbul Porselen Sanayi A.Ş.	2.181	-
Şişecam Shanghai Trade Co. Ltd.	-	10.509
Other	1.414	-
	765.642	759.214
Due to related parties		
Solvay Sodi	2.833.862	-
Istanbul Porselen Sanayii A.Ş.	2.360.102	2.475.981
Anadolu Anonim Türk Sigorta A.Ş.	1.836.376	2.553.329
Dividend not demanded by the shareholders	305.336	156.138
Other	-	21.271
	7.335.676	5.206.719
	2004	2003
Interest income from related parties		
İş Bankası	527.472	768.158
Paşabahçe Mağazaları B.V.	190.569	34
Istanbul Porselen Sanayii A.Ş.	1.712	467
Paşabahçe USA Inc.	23.827	-
Mepa Merkezi Pazarlama A.Ş.	549	122
	744.129	768.781
Interest expense from related parties		
İş Bankası	150.063	122.839
Istanbul Porselen Sanayii A.Ş.	363.244	306.551
Paşabahçe USA Inc.	23.835	-
Paşabahçe Mağazaları B.V.	270.708	4.441
	807.850	433.831

	2004	2003
Other expense from related parties		
İş Bankası	152.912	-
İş Yatırım Menkul Değerler A.Ş.	-	5.977
Other	43.031	-
	195.943	5.977

Other income from related parties		
OOO Paşabahçe Mağazaları	129.215	-
Other	-	964
	129.215	964

8. Inventories (Net)

	31 December 2004	31 December 2003
Raw materials	104.752.870	82.767.006
Work in process	20.224.414	16.489.343
Finished goods	192.817.742	211.556.441
Trade goods	15.427.627	14.183.807
Order advances given	19.923.470	16.588.241
Other inventories	14.630.091	8.560.910
Allowance for diminution in value of inventories	(534.607)	(356.022)
	367.241.607	349.789.726

Movements in the allowance for diminution in value of inventories during 2004 and 2003 are as follows:

	2004	2003
Balance at 1 January	(356.022)	(3.055.323)
(Charge for the year)/reversal	(221.869)	2.517.639
Monetary gain	43.284	181.662
Balance at 31 December	(534.607)	(356.022)

9. Other Receivables and Current Assets (Net)

	31 December 2004	31 December 2003
Due from personnel	1.430.976	632.805
Other doubtful receivables	452.507	277.895
Provision for doubtful receivables	(392.907)	(271.886)
Prepaid expenses	4.691.641	8.250.073
Income accruals	400.286	108.278
VAT carried forward	7.929.967	5.121.049
VAT receivable arising from export sales	5.706.782	7.841.723
Business advances given	11.633	38.439
Advances given to personnel	3.820	520.874
Capital advances given (*)	9.430.557	-
Sundry receivables	4.523.821	5.997.638
	34.189.083	28.516.888

(*) 6.500.000 USD capital advance given by Balsand B.V. for the acquisition of 48,5% shares of OAO FormMat, which was established in Russia. OAO FormMat, which has a license for sand supplying will sell the sand to OOO Balkum.

10. Investments (Net)

	31 December 2004	31 December 2003
Unconsolidated subsidiaries	602.280	1.037.556
Held-to-maturity investments	1.390.679	1.652.443
Available-for-sale investments	381.399.121	388.364.682
	383.392.080	391.054.681

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

		31 December 2004		31 December 2003
	Share %	YTL	Share %	YTL
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	14.337
Paşabahçe Investment B.V. (*)	100,00	-	100,00	568.291
Şişecam Shanghai Trade Co.Ltd.	100,00	324.523	100,00	324.523
Paşabahçe USA Inc.	100,00	162	100,00	152
Paşabahçe Mağazaları B.V.	100,00	95.508	-	-
Allowance for diminution in value of subsidiaries		(8.788.922)		(8.788.922)
		602.280		1.037.556

(*) Included in consolidation as of 31 December 2004.

Şişecam China Ltd., Paşabahçe Glas GmbH., Paşabahçe USA Inc., Paşabahçe Mağazaları B.V. and Şişecam Shanghai Trade Co. Ltd. were established outside of Turkey for marketing and sales activities. The financial statements of those companies, as well as Topkapı Yatırım Holding A.Ş., were considered immaterial to the consolidated financial statements and therefore they were stated at their indexed cost in the accompanying consolidated financial statements.

Mepa Merkezi Pazarlama A.Ş. and İstanbul Porselen Sanayii A.Ş. are dormant companies. Therefore, those companies were not consolidated and the Group's participation was written off in full.

Held-to-maturity investments:

	Nominal Value	Maturity	31 December 2004	31 December 2003
Eurobond	USD 1,000,000	June 2010	1.390.679	1.652.443

		31 December 2004		31 December 2003
Available-for-sale investments	Share %	YTL	Share %	YTL
Petrol Ofisi A.Ş. (*)	4,05	62.731.526	4,05	67.015.134
Avea İletişim Hizmetleri A.Ş. (**)	<1	86.830.954	5,00	86.830.954
Trakya Yatırım Holding A.Ş. (**)	34,65	151.277.690	34,65	151.277.690
Solvay Şişecam Holding AG	19,13	70.032.704	19,13	70.032.704
İş Factoring Finansman Hizmetleri A.Ş.	<1	7.344	7,83	5.627.205
İş Yatırım Menkul Değerler A.Ş.	1,79	1.707.728	1,79	1.707.728
Anadolu Hayat Emeklilik Sigorta A.Ş. (*)	1,00	4.019.000	1,00	2.609.104
İş Finansal Kiralama A.Ş. (*)	2,65	2.970.000	2,65	1.826.884
Yatırım Finansman Yatırım Ortaklığı A.Ş. (*)	8,00	407.520	8,00	96.945
Destek Reasürans T.A.Ş.	<1	132.710	<1	132.710
Efes Holding A.Ş.	<1	100.273	<1	100.273
İş Merkezleri Yönetim ve İşletim A.Ş.	1,23	43.629	1,42	43.629
İş Gayrimenkul Yatırım Ortaklığı A.Ş. (*)	<1	51.807	<1	29.691
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	3.002
UND Deniz Taşımacılığı A.Ş.	<1	116.084	<1	116.084
UN Gemicilik San. A.Ş.	<1	82.989	<1	38.517
UND Denizcilik A.Ş.	3,20	208.542	3,20	208.542
UND Ro-Ro İşletmeleri A.Ş.	3,20	208.542	3,20	208.542
Kumsan Döküm Malz. San. Tic. A.Ş.	4,89	156.193	4,89	156.193
Taşel Türk Alkollü İçki ve Şarap End. Ltd.	10,00	214.697	10,00	214.697
Camser Seracılık San. ve Tic. A.Ş.	10,00	53.704	10,00	53.704
Other		22.665		14.946
		381.399.121		388.364.682

(*) Indicates companies with shares publicly traded on ISE.

(**) Trakya Yatırım Holding A.Ş. is under control of İş Bankası. Since Group has no control power or significant influence over the company, the company is not consolidated in the accompanying financial statements and have been shown at indexed cost.

(***) İş-Tim and Aycell's assets and liabilities have been transferred to TTI İletişim ve Haberleşme Hiz. A.Ş. during the year. The Group holding in İş-Tim decreased from 5% to 0,69% upon the merger. The title of TTI İletişim ve Haberleşme Hiz. A.Ş. has changed to Avea İletişim Hizmetleri A.Ş. on 5 October 2004.

11. Positive Goodwill (Net)

	Cost	Accumulated Amortization	Net
As of 1 January 2004	33.714.216	(10.553.652)	23.160.564
Goodwill recognized during year from subsidiary purchases (*)	224.170	-	224.170
Amortization of goodwill	-	(2.619.863)	(2.619.863)
As of 31 December 2004	33.938.386	(13.173.515)	20.764.871

(*) Goodwill recognized during the year, is related with the purchase of 1,1 % shares of Trakya Cam with 2.353.760 YTL nominal value from International Finance Corporation. The Company's shareholding in Trakya Cam Sanayii A.Ş. has increased to 138.451.870 YTL nominal, and % share has increased to 60,83% after the purchase.

12. Negative Goodwill (Net)

	Cost	Accumulated Amortization	Net
As of 1 January 2004	(199.254.416)	12.440.372	(186.814.044)
Goodwill recognized during year from subsidiary purchases (*)	(13.042.987)	-	(13.042.987)
Negative goodwill released to income	-	21.012.358	21.012.358
As of 31 December 2004	(212.297.403)	33.452.730	(178.844.673)

(*) Goodwill recognized during the year is related with the purchase of 90,89% shares of OJSC Pokrov Glass Plant from EBRD for 4.500.000 USD.

13. Property, Plant and Equipment (Net)

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Other fixed assets	Construction in progress and advances given	Total
<u>Acquisition Cost</u>									
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
<u>Accumulated Depreciation</u>									
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
---	-------------------	--------------------	--------------------	----------------------	-------------------	-------------------	-------------------	-------------------	----------------------

14. Intangible Assests (Net)

	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 depreciation			
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, as of 31 December 2004	3.145.892	2.912.925	6.058.817
Net Book Value, as of 31 December 2003	2.864.063	3.043.026	5.907.089

15. Other Receivables and Long Term Assets

	31 December 2004	31 December 2003
Due from personnel	10.250	11.669
Prepaid expenses	179.837	722.784
Sundry long term assets	898.033	258.461
	1.088.120	992.914

16. Borrowings

	31 December 2004	31 December 2003
Short term bank loans	272.113.671	228.757.113
Current portion of long term loans	67.605.408	57.211.612
Other short term borrowings	99.573	4.407.994
Total short term borrowings	339.818.652	290.376.719
Long term portion of long term loans	253.633.074	258.408.420
Other long term borrowings	-	260.398
Total long term borrowings	253.633.074	258.668.818
Total borrowings	593.451.726	549.045.537

Analysis of loan repayments is as follows:

	31 December 2004	31 December 2003
Within one year	339.818.652	290.376.719
Between one to two years	54.429.439	69.890.198
Between two to three years	49.544.394	50.796.244
Between three to four years	41.025.393	41.532.245
Between four to five years	31.442.455	32.072.537
Five years and thereafter	77.191.393	64.377.594
	593.451.726	549.045.537

Short term bank loans consist of the following:

Currency Type	Interest Rate %	Foreign Currency Amount (000)		31 December 2004 YTL	Interest Rate %	Foreign Currency Amount (000)		31 December 2003 YTL
		Capital	Accrued Interest			Capital	Accrued Interest	
USD	Libor+1,20-1,60	78.100	1.087	106.276.747	Libor+1,6-1,90	68.451	972	110.314.471
EUR	Euribor+1,13-1,90	72.739	851	134.434.441	Euribor+1,65-1,85	35.655	601	72.026.742
YTL	15,00-19,00	30.248.400	1.154.083	31.402.483	20,00-45,00	43.486.900	2.929.000	46.415.900
				272.113.671				228.757.113

Current portion of long term bank loans consist of the following:

Currency Type	Interest Rate %	Foreign Currency Amount (000)		31 December 2004 YTL	Interest Rate %	Foreign Currency Amount (000)		31 December 2003 YTL
		Capital	Accrued Interest			Capital	Accrued Interest	
USD	Libor+1,50-4,13	29.827	829	41.144.320	Libor+3,50-4,13	34.210	463	55.095.852
EUR	Euribor+2,40-3,65	13.591	507	25.754.961	Euribor+3,40-3,65	-	1.008	2.002.328
YTL	-	706.127	-	706.127	35,00	112.095	1.337	113.432
				67.605.408				57.211.612

Long term portion of long term bank loans consist of the following:

Currency Type	Interest Rate %	Currency Amount (000)	31 December 2004 YTL
USD	Libor+ 1,50-4,13	80.619	108.198.332
EUR	Euribor+ 2,40-3,65	79.612	145.434.742
			253.633.074
Currency Type	Interest Rate %	Currency Amount (000)	31 December 2003 YTL
USD	Libor+ 3,50-4,13	83.860	133.255.372
EUR	Euribor+ 3,40-3,65	62.999	125.153.048
			258.408.420

17. Trade Payables (Net)

	31 December 2004	31 December 2003
Short term trade payables	105.093.432	100.250.239
Notes payable	95.121	190.227
Discount on notes payable	(951.482)	(1.677.512)
Short term finance lease payables	-	2.653.780
Deposits and guarantees received	1.317.973	891.757
Other trade payables	33.726	227.328
	105.588.770	102.535.819

18. Other Payables and Current Liabilities

	31 December 2004	31 December 2003
Due to personnel	9.260.472	3.832.791
Taxes and dues payable	16.346.720	22.761.653
Social security premiums payable	9.801.397	8.253.428
Accrued costs	4.279.313	1.204.684
Provisions	3.246.880	26.408.110
Due to non-group shareholders	3.144.438	-
Other accruals and liabilities	4.710.679	1.913.551
	50.789.899	64.374.217

19. Taxation on Income

	31 December 2004	31 December 2003
Current Tax Payable:		
Current corporate and income tax	63.068.226	83.698.650
Prepaid taxes and funds	(45.844.355)	(43.622.369)
	17.223.871	40.076.281
Taxation:		
Current income tax	63.068.226	83.698.650
Deferred tax charge/(benefit)	34.633.748	(51.074.352)
	97.701.974	32.624.298

Corporate Tax:

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

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

The effective tax rates are as follows:

- In 2003: 30%
- In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on 2 January 2004).
- In 2005: 30%

In Turkey, prepaid taxes are calculated and accrued on a quarterly basis. The prepaid corporate income tax rate was increased from 25% to 30%, effective from 24 April 2003. In 2004, the prepaid corporate income tax rate was applied 33%. Starting from 2005, prepaid corporate income tax rate will be 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 April 15th of the following year. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Income withholding tax which was calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not, has been removed in general. 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 allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years. Carried forward investment incentives to be deducted from corporate tax liability in the following periods are revalued with the applicable VWPI.

Inflation Adjusted Tax Calculation:

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds. Since required conditions prescribed in Tax Procedure Law has realized, the Company adjusted its financial statements in accordance with the law's inflation accounting clauses and current period's tax provision was determined over these financial statements.

Deferred Tax:

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

Deferred taxation is calculated at a rate of 30% for 31 December 2004 and 31 December 2003 as follows.

	31 December 2004	31 December 2003
Temporary differences subject to deferred tax:		
Restatement of property, plant and equipment	1.008.192.992	983.406.205
Retirement pay provision	(120.757.042)	(121.119.755)
Unused investment incentive	(243.921.997)	(268.437.716)
Carry forward tax losses	(83.692.181)	(114.617.914)
Non-real part of capitalized finance expenses	(14.976.248)	-
Restatement of inventories	(14.061.833)	(11.331.565)
Other	(9.932.291)	2.074.207
	520.851.400	469.973.462

Components of deferred tax (assets)/liabilities	31 December 2004	31 December 2003
Restatement of property, plant and equipment	302.457.898	295.021.857
Retirement pay provision	(36.227.113)	(36.335.927)
Unused investment incentive	(25.462.471)	(28.808.749)
Carry forward tax losses	(25.107.654)	(34.385.375)
Non-real part of capitalized finance expenses	(4.492.874)	-
Restatement of inventories	(4.218.550)	(3.399.470)
Other	(2.931.286)	622.262
	204.017.950	192.714.598
Movement of deferred tax liabilities	2004	2003
Opening balance	192.714.598	278.830.916
Taxation charge/(benefit) on deferred tax	34.633.748	(51.074.352)
Monetary gain	(23.330.396)	(35.041.966)
Closing balance	204.017.950	192.714.598
Reconciliation of taxation	2004	2003
Profit before taxation and minority interest	345.349.075	304.066.833
Effective tax rate	%33	%30
Expected taxation	113.965.195	91.220.050
Tax effects of:		
- nondeductible expenses	12.736.612	11.457.927
- dividends and other non-taxable income	(55.608.061)	(17.886.208)
- carry forward tax losses	(3.006.504)	4.174.820
- investment incentives	(14.932.864)	(5.641.792)
- monetary gain/loss non-taxable/ non-deductible	8.315.234	(77.293.539)
- consolidation adjustments	39.464.393	26.871.943
- foreign subsidiaries subject to different tax rates	(3.232.031)	(278.903)
Taxation per income statement	97.701.974	32.624.298

20. Retirement Pay Provision

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

The retirement pay provision at the respective balance sheet date, is subject to YTL 1.574,74 retirement pay provision ceiling per month for the year 2004 (31 December 2003: YTL 1.389,95 per month).

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

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

Consequently, in the accompanying financial statements as at 31 December 2004, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 10% and a discount rate of 16%.

	2004	2003
Opening balance	121.119.755	117.115.981
Charge for the year	29.475.717	26.260.846
Benefits paid	(15.113.180)	(8.548.192)
Monetary gain	(14.725.250)	(13.708.880)
Closing balance	120.757.042	121.119.755

21. Minority Interest

	31 December 2004	31 December 2003
Opening balance	600.210.598	927.709.521
Increase (decrease) in minority interest during the year	16.376.678	(357.036.034)
Dividends paid	(35.448.927)	(42.350.462)
Minority interest on operating results of the year	60.754.324	71.887.573
Closing balance	641.892.673	600.210.598

22. Commitments and Contingencies

	31 December 2004	31 December 2003
Letters of guarantee given	19.395.389	12.828.406
Promissory notes and collaterals given (*)	285.614.590	241.017.308
Subsidiary share purchase commitment (**)	13.421.047	15.890.219
Export commitments	17.700.891	-
Other	396.183	3.484
	336.528.100	269.739.417

(*) Includes promissory notes given related with investment loans received from International Finance Corporation.

(**) In 1997 Soda San. A.Ş., Solvay S.A. and EBRD participated in Solvay Şişecam Holding A.G. and then Solvay Şişecam Holding A.G. acquired shares of Solvay-Sodi A.D. which was privatized in Bulgaria. EBRD joined the partnership investing USD 40 Million to Solvay Şişecam Holding A.G. and gave Soda San A.Ş. and Solvay S.A., USD 30 Million and USD 10 Million share purchase option. Soda San. A.Ş. and Solvay S.A. are currently paying interest for the financing brought by EBRD. According to the initial plan, share purchase option was expiring on July 2002. According to the new agreement share purchase option expiration was extended to April 2007 and it also permitted gradual exercising of the option. Accordingly, it is forecasted that the option will be exercised in 2005, 2006 and 2007.

The Group has YTL 189.811.634 export commitments with regards to investment incentives (2003: YTL 184.645.523).

As of 31 December 2004, the total risk of court cases opened and pending against the Group amounts to approximately YTL 7.500.007 (31 December 2003: YTL 8.964.421).

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

Trakya Glass Bulgaria EAD- IFC loan agreement

Dividend payments, additional investment expenditures and probable leasing contracts will be executed in conformity with IFC according to the loan agreement and duration.

Subscription agreement

On 25 June 2004 Trakya Glass Bulgaria EAD concluded a subscription agreement with IFC based on a loan agreement. The subject of the subscription agreement includes the right of the Company to request IFC to participate in Trakya Glass Bulgaria EAD and pay for USD 7,500,000.

Balsand B.V., one of the subsidiaries, which owns 90,89 % shares of OJSC Pokrov Glass Plant as of 31 December 2004, subscribe to purchase 7,58% shares of OJSC Pokrov Glass Plant for 1.500.000 USD from other shareholders, namely EBRD and Norum.

Share holding and repayment agreement

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

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

The IFC loan, interest and other expenses' payments has priority over the payments related with the management and technical service agreement signed among Trakya Cam Sanayii A.Ş., Trakya Glass Bulgaria EAD and Paşabahçe Cam Sanayii A.Ş.

23. Capital and Legal Reserve

As of 31 December 2004 and 2003 the share capital held is as follows:

Shareholders		31 December 2004		31 December 2003	
		%	YTL	%	YTL
Iş Bankası	66,106		279.962.602	66,106	188.404.585
Destek Reasürans	0,005		21.174	0,005	14.249
Publicly traded portion	33,889		143.516.224	33,889	96.581.166
Historical capital	100,000		423.500.000	100,000	285.000.000
Inflation adjustment			21.121.259		138.168.559
Restated capital			444.621.259		423.168.559
Treasury stocks			(620.857)		(590.902)
Adjusted capital			444.000.402		422.577.657

As of 31 December 2003 nominal and inflation adjusted shareholders' equity items and shareholders' equity adjustment differences are as follows:

Shareholders' Equity items	Inflation Adjustment		Adjusted Amounts
	Nominal Amount	Differences	
Capital (*)	423.500.000	20.500.402	444.000.402
Premium in excess of par	3.121.196	2.336.281	5.457.477
Legal reserves	65.228.836	156.229.286	221.458.122
Extraordinary reserves	151.801.426	225.965.806	377.767.232
	643.651.458	405.031.775	1.048.683.233

(*) During the period, capital of the Company has increased from YTL 285.000.000 to YTL 423.500.000 YTL. Out of YTL 138.500.000 increase, YTL 20.415.200 was cash; YTL 118.084.800 was non-cash contribution.

24. Net Sales

	2004	2003
Domestic sales	1.576.423.356	1.423.571.924
Export sales	866.107.032	898.270.913
Other revenues	1.350.045	2.455.207
Sales returns	(10.930.916)	(9.499.775)
Sales discount	(160.073.474)	(164.955.214)
Other deduction from sales	(87.303.056)	(87.027.897)
	2.185.572.987	2.062.815.158

25. Cost of Sales

	2004	2003
Raw materials consumed	(783.650.681)	(738.947.416)
Direct labor attributable to production	(136.961.565)	(126.456.694)
Production overheads	(246.337.366)	(226.512.562)
Depreciation of production facilities	(154.261.009)	(137.055.880)
Change in work in progress inventories	3.065.822	(1.558.892)
Change in finished goods inventories	(22.945.976)	(2.709.221)
Cost of products sold	(1.341.090.775)	(1.233.240.665)
Cost of merchandises sold	(113.785.299)	(117.868.216)
Cost of services rendered	(11.241.797)	(10.378.373)
Cost of other revenues	(5.373.769)	(2.177.288)
	(1.471.491.640)	(1.363.664.542)

26. Operating Expenses

	2004	2003
Supplies expenses	(9.348.266)	(10.712.765)
Personnel expenses	(164.234.279)	(157.879.466)
Depreciation and amortization expenses	(33.601.149)	(20.280.136)
Sundry operating expenses	(61.077.029)	(78.037.443)
Other expenses	(131.623.498)	(126.406.009)
	(399.884.221)	(393.315.819)

27. Finance (Expenses) / Income (Net)

	2004	2003
Interest income	41.886.822	36.762.499
Discount income	3.058.676	2.336.652
Discount expense	(5.268.193)	(3.512.422)
Exchange gains	92.719.155	107.830.321
Exchange losses	(53.666.806)	(72.227.965)
Cost of borrowings	(90.529.835)	(60.236.147)
	(11.800.181)	10.952.938

28. Other Expenses (Net)

	2004	2003
Provision released	3.152.758	365.999
Other income and profits	25.494.622	24.083.571
Dividend income	6.739.680	1.342.301
Provision expenses	(6.286.961)	(10.166.708)
Other expenses and losses	(19.703.905)	(19.673.219)
Idle capacity expenses	(14.441.542)	(9.385.251)
Idle capacity depreciation	(20.044.257)	(39.657.032)
	(25.089.605)	(53.090.339)

29. Segmental Financial Reporting

31 December 2004

Business segments	Flat Glass	Glassware	Glass Packaging	Chemicals	Other	Holding Company	Consolidation Eliminations	Consolidated
Net sales	567.359.688	679.140.230	552.884.850	574.866.690	3.900.336	1.304.091	(193.882.898)	2.185.572.987
Cost of sales	(347.218.425)	(437.017.982)	(384.007.428)	(496.777.397)	(3.743.320)	(696.699)	197.969.611	(1.471.491.640)
Gross profit	220.141.263	242.122.248	168.877.422	78.089.293	157.016	607.392	4.086.713	714.081.347
Operating expenses	(90.183.582)	(180.339.956)	(69.029.034)	(76.875.734)	(874.108)	(1.006.746)	18.424.939	(399.884.221)
Operating profit	129.957.681	61.782.292	99.848.388	1.213.559	(717.092)	(399.354)	22.511.652	314.197.126
Net profit	105.126.870	50.887.271	78.774.069	20.418.526	24.297.803	88.318.283	(180.930.045)	186.892.777
Other information								
- 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
- 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
- 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)

31 December 2003

Business segment	Flat Glass	Glassware	Glass Packaging	Chemicals	Other	Holding Company	Consolidation Eliminations	Consolidated
Net sales	509.923.696	699.918.591	483.982.773	564.799.546	3.931.907	-	(199.741.355)	2.062.815.158
Cost of sales	(317.411.942)	(451.072.832)	(324.151.816)	(469.612.296)	(2.359.876)	-	200.944.220	(1.363.664.542)
Gross profit	192.511.754	248.845.759	159.830.957	95.187.250	1.572.031	-	1.202.865	699.150.616
Operating expenses	(85.053.446)	(170.404.149)	(64.173.546)	(73.851.780)	(3.919.606)	(628.633)	4.715.341	(393.315.819)
Operating profit	107.458.308	78.441.610	95.657.411	21.335.470	(2.347.575)	(628.633)	5.918.206	305.834.797
Net profit	100.018.685	63.306.822	92.877.558	39.771.730	3.223.975	62.670.350	(162.314.158)	199.554.962
Other information								
- Assets	1.243.031.143	1.170.372.279	891.644.448	997.909.639	855.963.106	1.324.796.762	(2.992.050.508)	3.491.666.869
- Liabilities	339.285.454	413.030.841	259.983.023	276.336.635	546.515.100	154.288.749	(907.967.416)	1.081.472.386
- Tangible and intangible assets purchases	44.909.780	44.955.866	61.254.966	95.145.849	358.807	1.975.120	-	248.600.388
- Tangible and intangible assets depreciation and amortization	(55.418.813)	(79.759.316)	(54.416.065)	(46.038.895)	(1.556.368)	(3.118.180)	-	(240.307.637)

31 December 2004

Geographical segments	Turkey	Russia and Georgia	Europe	Other	Total	Consolidation Eliminations	Consolidated
Net sales	1.995.339.582	125.731.468	64.501.937	2.277.419	2.187.850.406	(2.277.419)	2.185.572.987
Assets	6.182.984.082	208.886.230	377.072.119	1.121.122	6.770.063.553	(3.030.357.208)	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

31 December 2003

Geographical segments	Turkey	Russia and Georgia	Europe	Other	Total	Consolidation Eliminations	Consolidated
Net sales	1.939.882.867	58.734.509	64.197.782	2.608.037	2.065.423.195	(2.608.037)	2.062.815.158
Assets	5.421.988.574	111.771.990	160.559.142	1.133.547	5.695.453.253	(2.203.786.384)	3.491.666.869
Tangible and intangible assets purchases	217.511.686	31.333.346	36.690	(281.334)	248.600.388	-	248.600.388

30. Changes in Working Capital

	2004	2003
Trade receivables	(24.166.458)	11.472.875
Inventories	(17.630.466)	1.315.433
Due from related parties	(6.428)	6.839.146
Other receivables and current assets	(5.672.195)	8.260.300
Trade payables	3.052.951	(12.771.356)
Due to related parties	2.128.957	961.237
Advances received	(625.447)	(6.842.196)
Other payables and current liabilities	(13.584.328)	17.663.879
	(56.503.414)	26.899.318

31. Changes in Other Investing Activities

	2004	2003
Other receivables and long term assets	95.206	(266.451)
Other long term liabilities	(933.004)	(60.380)
	(837.798)	(326.831)

32. Foreign Currency Position

31 December 2004	USD 000	EUR 000	YTL Equivalent of other FC	Equivalent of YTL
Cash and cash equivalents	39.829	122.465	8.021.990	285.194.649
Trade receivables (net)	44.651	59.840	19.222.804	188.463.830
Other current assets	434	17	3.027.660	3.640.332
Held-to-maturity investments	1.036	-	-	1.390.679
Borrowings	(190.462)	(167.300)	(799.727)	(562.043.266)
Trade payables (net)	(3.626)	(13.823)	(9.107.205)	(39.225.162)
Other current liabilities	(632)	(3.693)	(1.992.838)	(9.586.504)
Net foreign currency position				(132.165.442)

31 December 2003	USD 000	EUR 000	YTL Equivalent of other FC	Equivalent of YTL
Cash and cash equivalents	21.160	55.589	808.624	144.976.684
Trade receivables (net)	55.050	104.786	17.605.012	315.684.715
Other current assets	891	4.451	547.112	10.880.196
Held-to-maturity investments	1.040	-	-	1.652.443
Borrowings	(187.956)	(100.263)	-	(496.303.307)
Trade payables (net)	(7.767)	(13.184)	(2.310.768)	(41.165.150)
Other current liabilities	(2.694)	(3.094)	-	(10.427.892)
Net foreign currency position				(74.702.311)

33. Establishments, Mergers, Acquisitions and Transfers

Information related with the companies established or acquired in 2004 is as follows.

Paşabahçe Investment B.V., established in Netherlands for finance and investment activities, has acquired 100% shares of Posuda Ltd. established in Russia. Acquisition agreement was signed on 9 September 2003 and transfer of shares has been realized on 30 October 2003. On 27 September 2004, Posuda Ltd., has started producing glassware with 90 tons/day capacity.

On 6 July 2004, Anadolu Cam Sanayii A.Ş., which is one the Group's subsidiaries, participated in Balsand B.V. by 51%. Balsand B.V. is an investment firm established on 25 May 2004 in Netherlands. The capital of Balsand B.V. is Euro 5.676.970 as of report date.

90,89% of OJSC Pokrov Glass Plant shares was acquired by Balsand B.V., one of the Group's subsidiaries, for USD 4.500.000. Transfer of shares was realized on 14 December 2004.

On 4 October 2004, ООО Ruscam UFA was established as 100% participation of Balsand B.V. for glass packaging production and sales activities.

On 26 July 2004, Balkum Ltd. was established in Russia as 50% participation of Balsand B.V. for sand processing activities.

Şişecam Sigorta Aracılık Hizmetleri A.Ş. was established on 8 November 2004 for the purpose of providing insurance services with a capital of YTL 50.000. T. Şişe ve Cam Fabrikaları A.Ş. has participated in Şişecam Sigorta Aracılık Hizmetleri A.Ş. by 99,50%, and the remaining 0,50% shares are owned by the other subsidiaries.

35. Subsequent Events

- a) Retirement pay provision ceiling level has been increased to YTL 1.648,90 from YTL 1.574,74 effective from 1 January 2005.
- b) On 26 January 2005, Paşabahçe Cam Sanayii ve Ticaret A.Ş. has participated in Trakya Cam Investment B.V. by 30%. Trakya Cam Investment B.V. was established in Netherlands and is 100% shareholder of Trakya Glass Bulgaria EAD. With this transaction, Trakya Cam Investment B.V. shares with nominal value of EUR 3.600.000 was sold to Paşabahçe Cam Sanayii ve Ticaret A.Ş at par value in cash.
- c) "Anadolu Cam Yenişehir Sanayii A.Ş." was established in Bursa Yenişehir Organize Sanayi Bölgesi with YTL 27.000.000 nominal capital. Anadolu Cam San. A.Ş., one of the subsidiaries, and T. Şişe ve Cam Fabrikaları A.Ş. has participated in the newly established company by 84,89% and 15,00 %, respectively. The remaining 0,11% portion is participated by other subsidiaries.

36. Approval of Financial Statements

The audited financial statements of the Company for the period ended 31 December 2004, prepared in accordance with IFRS as referred in Capital Market Board Bulletin XI No:25, were reviewed by the Board of Directors on 31 March 2004 considering the decision of Audit Committee and it has been resolved that the consolidated financial statements present a fair view of the Group's financial position and it has been prepared in accordance with IFRS as referred in Capital Market Board Bulletin XI No:25 and Vice President-Financial Control Ahmet Faruk Polatkan and Central Accounting Manager Mükremin Şimşek were authorized to sign the consolidated financial statements.

Türkiye Şişe ve Cam Fabrikaları A.Ş. Profit Distribution Proposal for the Year 2004

Dear Shareholders,

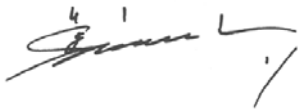
Our company profit for the fiscal year is YTL 186.892.777.

We hereby propose the distribution of the 2004 consolidated profit of YTL 186.892.777 displayed in the 2004 consolidated statements, considering the share of the Group from the profit distribution of equity participations, joint ventures, that is to be submitted to the Annual General Meeting of Shareholders for approval. The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) that is referred to in the Capital Market Board (CMB) Bulletin XI No.25, and the profit distribution is in accordance with the article of CMB dated 25 February 2005, NO. 7/242 and article 29 of the Articles of Association of the Company.

1. Net profit after tax	186.892.777
2. Non-distributable profit	(85.603.532)
3. Distributable profit	101.289.245
4. First legal reserves	(5.209.875)
5. First dividend to shareholders	(30.492.000)
6. Extraordinary reserves(1-(4+5))	151.190.902

We also propose for your approval the payment of YTL 30.492.000 dividend in cash as YTL 0,072 per 1 YTL share (7.2% of issued capital on the basis of gross equals net) on 31 May 2005.

Respectfully Yours



H. Ersin Özince
Chairman

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.

Established in 1935 by 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 'the world is our market', 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 ash 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 December 2004, 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 Relations" has been added to the web site www.sisecam.com.tr and infrastructure, information and training activities have started in lieu of risk management.

Section 1. Shareholders

2. Unit for shareholder relations

According to articles and stipulations of Turkish Commercial Code, 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 relevant units. This structure that already exists, will be renamed and modified as the Shareholder Relations Unit 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 AGM
- 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, email, telephone and newspapers in accordance with in force legislation, Şişecam AoA and other in-house regulations.

Officers of the Shareholder Relations Unit

Name and Surname	Position	Telephone	e-mail
Asuman Akman	Budget & Financial Control Manager	0212 350 39 95	aakman@sisecam.com.tr
Aytaç Mutlugüller	International Finance & Investments Manager	0212 350 34 80	amutluguller@sisecam.com.tr
Mükremin Şimşek	Central Accounting Manager	0212 350 39 51	msimsek@sisecam.com.tr

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 email.

During the present period no written enquiry was submitted and all oral and verbal enquiries which, were concentrated on capital increases and dividends, have been handled by the unit. Apart from that, regarding the extension of the right to information of the shareholders, a section on "Investor Relations" has been added to the web site www.sisecam.com.tr 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 ordinary AGM met on 11 May 2003, with a quorum of 63.7%. 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 2003 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 CMB, Series IV, no.8.

Individual shareholders and those shareholders whose addresses are known were sent all this information by return mail, and published in two national dailies as well as the Turkish Commercial Records Gazette.

Right to ask questions by shareholders have been exercised 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 Records Gazette, two national dailies and internet site of the company. As well, the call has been sent to shareholders with valid addresses. The time for convening of the AGM is chosen especially to facilitate access regarding traffic intensity and other external factors.

All AGM records will be posted on the web site of the company as of 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 General Assembly

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

The main principles of dividend distribution can be seen in the main contract published on the web page, open for the information of shareholders.

On the other hand, the Board of Directors (BoD) can decide to distribute dividends according to rules laid out by CMB, in case profits have accrued in the said period, and presented to the approval of shareholders in the AGM. Dividend distribution can be by cash or sharehandouts, depending on the decision in the AGM.

There are no privileged shares regarding the distribution of dividends.

The company has carried out its obligation regarding the distribution of 2003 distributable profit in accord with the CMB legislation and the company AoA, in a timely and complete manner.

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 Faruk Polatkan, Central Accounting Manager Mükremin Şimşek and Asst. of Accounting Manager Necat Koç have been authorized.

9. Extraordinary Events

During the period and in accordance with the CMB Legislation Series VII, No.39 Communication on the Public Announcement of Extraordinary Events, 22 announcements have been made. Also, upon the request of the IMKB (Stock Exchange), 4 additional public announcements have been made within the provisions of the above mentioned communication, without any sanctions applied.

10. Company website and its contents

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

- Annual reports
- Mid-term financial statement and independent auditor reports
- Trade records information
- List of members of the BoD and Audit Board
- AGM agenda
- AGM records
- AGM participants list
- Proxy voting form
- Updated AoA
- Explanatory document and public offering circulars
- Extraordinary events announcements
- Frequently asked questions

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
Others	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
Türkey Ergun	Vice President-Treasury
Ahmet Faruk Polatkan	Vice President-Financial Control
Mehmet Kara	Vice President-Corporate Planning
Yıldırım Teoman	Vice President-Research & 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; recruitment, working conditions, career management, grading 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 relationship 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

The 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 people, in accord with legislation in force and the AoA:

Name and Surname	Position
Hakkı Ersin Özince	Chairman
Ahmet Doğan Arıkan (*)	Vice Chairman-President
Alparslan Akıncı	Member
Mehmet Sırrı Erkan (**)	Member
Suat İnce	Member
Mahmut Magemizoğlu (**)	Member
Habip Fevzi Onat	Member
Ali Rıza Oskan	Member
Turgay Taner	Member

(*) Executive member ** Audit Board

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, etc.) 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.

Since the second half of 2004, infrastructure, information and training has started to set up "risk management processes" in the company.

22. The duties and responsibilities of the BoD

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 AGM 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 for the functioning

The agenda of the BoD meetings are determined by the needs of the company, considering developments in the country or the world. 35 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 established reporting to the chairman in accordance with the CB Legislation, Corporate Governance Principles. On the other hand, activities articulated in the CB Legislation, Corporate Governance Principles Section IV, Article 2.19. are carried out, by company personnel in accordance with Corporate Governance Principles.

24. Prohibition of dealing and competition with the company

Permission is given to members of the BoD, by AGM approval in accordance with provisions of Turkish Commercial Code 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 in 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 board 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 2003 AGM of the company, that convened on 11 May 2004, the compensation fees to be paid to 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.

İş Kuleleri, Kule 3, 34330, 4. Levent - İstanbul Tel: (212) 350 50 50 Fax: (212) 350 40 40 www.sisecam.com.tr

Flat Glass Business

Trakya Cam Sanayii A.Ş.

Head Office

İş Kuleleri, Kule 3, 34330, 4. Levent - İstanbul Tel: (212) 350 50 50 Pbx Fax: (212) 350 50 70 www.sisecam.com.tr
Consultation Line: 0800 211 08 33

Cam İşleme ve Kaplamalı Camlar Fabrikası (Processed & Coated Glass)

Fatih Tren İstasyonu Mevkii 41407 Gebze - Kocaeli Tel: (262) 678 17 17 Pbx Fax: (262) 678 22 74

Trakya Plant

Büyükkarıştıran Mevkii, P.K. 98, 39760 Lüleburgaz - Kırklareli Tel: (288) 400 80 00 Fax: (288) 417 31 26 - 436 12 11

Trakya Otocam Fabrikası (Autoglass)

Büyükkarıştıran Mevkii, P.K. 28, 39760 Lüleburgaz - Kırklareli Tel: (288) 400 80 00 Fax: (288) 436 22 30 www.trakyaotocam.com.tr

Mersin Plant

Mersin - Tarsus Organize Sanayi Bölgesi, Nacarlı Köyü Mevkii P.K. 401, 33400 Tarsus - Mersin
Tel: (324) 676 40 70 Pbx Fax: (324) 676 40 73

Glassware Business

Camiş Ambalaj Sanayii A.Ş.

Tuzla Plant

Fabrikalar Cad. No: 2, 34940 Tuzla - İstanbul Tel: (216) 581 27 27 Fax: (216) 581 29 29

Eskişehir Plant

Organize Sanayi Bölgesi, Mümtaz Zeytinoglu Bulvarı 26110 Eskişehir Tel: (222) 211 45 45 Fax: (222) 236 09 48

Denizli Cam Sanayii ve Ticaret A.Ş.

Sirinköy, 20014 Denizli Tel: (258) 377 27 65 Fax: (258) 377 24 79 dencm@sisecam.com.tr

Paşabahçe Cam Sanayii ve Ticaret A.Ş.

Head Office

İş Kuleleri, Kule 3, 34330, 4. Levent - İstanbul Tel: (212) 350 50 50 Pbx Fax: (212) 350 50 49 www.sisecam.com.tr

Kırklareli Plant

Muratlı Yolu Üzeri, Büyükkarıştıran Mevkii, P.K. 40 39760 Lüleburgaz - Kırklareli Tel: (288) 400 80 00 Fax: (288) 436 26 76

Mersin Plant

Tekke Köyü Civarı P.K. 670, 33004 Mersin Tel: (324) 454 02 00 Fax: (324) 454 02 16 - 17

Moskova Temsil Ofisi

Sredny Tyshinski Preulok, 28 Building 1 Moscow - Russia Tel: (7095) 777 37 39

Fax: (7095) 777 37 39 pasabahce@chaika-plaza.ru

Paşabahçe Eskişehir Cam Sanayii ve Ticaret A.Ş.

Organize Sanayi Bölgesi 15. Cadde 26110 Eskişehir Tel: (222) 211 45 45 Fax: (222) 236 12 04

Paşabahçe Glas GmbH

Rhein Strasse 2A, D - 56068 Koblenz - Germany Tel: (49) 261 303 74 - 0 Fax: (49) 261 303 74 - 74 pasabahce@fonline.de

Paşabahçe Mağazaları A.Ş.

Ankara Asfaltı İçmeler Mevkii 34947 Tuzla - İstanbul Tel: (216) 395 54 73/20 lines Fax: (216) 395 54 30 - 395 65 52 magaza@sisecam.com.tr

Paşabahçe Posuda Ltd.

1. Steklozavodskoe St. Bor-3, 606443, Nizhegorodskaya 061 Russia Tel: (7 831) 592 85 16 Fax: (7 831) 592 64 29

Paşabahçe USA Inc.

41 Madison Ave. 7th Floor New York, NY10010 USA Tel: (1 212) 683 10 00 Fax: (1 212) 725 13 00

Glass Packaging Business

Anadolu Cam Sanayii A.Ş.

Head Office

İş Kuleleri, Kule 3, 34330, 4. Levent - İstanbul Tel: (212) 350 50 50 Pbx Fax: (212) 350 57 60 - 350 50 63 www.sisecam.com.tr

Topkapı Plant

Davutpaşa Kışla Cad. No: 56, 34020 Topkapı - İstanbul Tel: (212) 459 52 00 Pbx Fax: (212) 459 54 44

Çayırova Plant

Çayırova, 41407 Gebze - Kocaeli Tel: (262) 678 17 17 Fax: (262) 653 61 82

Mersin Plant

Tekke Yolu Civarı P.K. 612, 33004 Mersin Tel: (324) 241 70 70 Pbx Fax: (324) 454 00 28 - 29

Ferro Döküm Sanayii ve Ticaret A.Ş.

Ankara Asfaltı Üzeri P.K. 100, 41420 Çayırova/Gebze - Kocaeli Tel: (262) 653 42 60/4 lines

Fax: (262) 653 41 60 - 653 18 52 www.ferrodokum.com.tr

Omco Istanbul Kalıp Sanayii ve Ticaret A.Ş.

Çayırova, Mimar Sinan Mah. E-5 Yan Yol Üzeri No. 92 41401 Gebze - Kocaeli (262) 744 44 52 Pbx
Fax: (262) 744 44 56 omcoistanbulsales@sisecam.com.tr

Ruscam Ltd.**Gorohovets Plant**

72 Gagarina Str. Gorohovec Vlamidirskeya Obl. Russia Tel: (7 092) 38 240 15 - 38 217 44 Fax: (7 092) 38 239 81

Pokrovsky Plant

162430, Sovetskaya str. 96, Sazanovo Chagoda district, Vologda region, Russia Tel - Fax: (7 817) 413 11 40

Ufa Plant

3, Proizvodstvennaya Str. Ufa, 450069, Bashkortostan - Russia Tel: (7 3472) 48 52 48 Fax: (7 3472) 48 50 90

Moscow Office

Prechistenski Per. D.5 119034 Moscow - Russia Tel: (7 095) 201 21 45 - 201 45 57 ruscam@imm.ru

JCS "Mina"

Mtskheta Region, Ksani Village 3312 Georgia Tel: (995 32) 44 99 81 Fax: (995 32) 44 99 80 www.mina.com.ge

Marketing Office

37 Chavhavadze Ave. 0162 Tbilisi, Georgia Tel - Fax: (995 32) 94 24 95 - 91 28 67 sales@mina.com.ge

Chemicals Business**Cam Elyaf Sanayii A.Ş.**

Çayırova, P.K. 62, 41420 Gebze - Kocaeli Tel: (262) 678 17 17 Fax: (262) 678 18 18 www.camelyaf.com.tr

Camış Egypt Mining Co. Ltd.

Corner Roads 254/206, Digla - Maadi, Cairo - Egypt Tel: (202) 519 82 36 Fax: (202) 519 82 37

Camış Elektrik Üretimi A.Ş.

İş Kuleleri, Kule 3, 34330, 4.Levent - İstanbul Tel: (212) 350 50 50 Pbx Fax: (212) 350 58 58 elektrik@sisecam.com.tr

Camış Lojistik Hizmetleri ve Ticaret A.Ş.

İstiklal Cad. No. 314, 34430 Beyoğlu - İstanbul Tel: (212) 313 47 00 Pbx Fax: (212) 292 75 72 - 73 www.camislojistik.com.tr

Camış Madencilik A.Ş.

İş Kuleleri, Kule 3, 34330, 4.Levent - İstanbul Tel: (212) 350 50 50 Pbx Fax: (212) 350 58 77 maden@sisecam.com.tr

Madencilik Sanayii ve Ticaret A.Ş.

İş Kuleleri, Kule 3, 34330, 4.Levent - İstanbul Tel: (212) 350 50 50 Pbx Fax: (212) 350 58 77 www.sisecam.com.tr

Oxyvit Kimya Sanayii ve Ticaret A.Ş.

Mersin Tarsus Organize Sanayi Bölgesi P.K. 425, 33400 Mersin Tel: (324) 676 43 25 Pbx Fax: (324) 676 43 34 www.oxyvit.com

Soda Sanayii A.Ş.**Head Office**

İş Kuleleri, Kule 3, 34330, 4.Levent - İstanbul Tel: (212) 350 50 50 Pbx Fax: (212) 350 58 60 www.sisecam.com.tr

Soda Plant

Kazanlı Bucağı yanı P.K. 654, 33004 Mersin Tel: (324) 241 66 00/6 lines - 451 33 05/4 lines

Fax: (324) 451 28 50 - 221 90 15 www.sodakrom.com

Kromsan Plant

P.K. 421, 33003 Kazanlı - Mersin Tel: (324) 241 66 00/3 lines - 451 34 43/7 lines

Fax: (324) 451 28 52 - 451 34 40 www.sodakrom.com

Şişecam Bulgaria Ltd.

General Stoletov 5, 9002 Varna - Bulgaria Tel: (359 52) 608 963 - 4 Fax: (359 52) 608 964 sisecam_bulgaria@yahoo.com

Şişecam China Ltd.

Level 25, Bank of China Tower, 1 Garden Road, Central Hong Kong SAR Tel: (852) 2736 02 08 sisecamhkg@sisecam.com.cn

Şişecam (Shanghai) Trading Co. Ltd.

93 Huai Hai Zhong Road Shanghai Times Square, Office Tower 1106, 20021 Shanghai, China

Tel: (86 21) 6391 0352 - 3308 0244 Fax: (86 21) 6391 0354 sisecamsha@sisecam.com.cn.

Guangzhou Representative Office

Rm 1108, East Tower, 122 Guangzhou Int. Comercial Center, Tian He Ti Yu Dong Road, 510620 Guangzhou - China

Tel: (86 20) 3887 0854 - 3887 0864 Fax: (86 21) 3887 0874 sisecamhkg@sisecam.com.cn

Solvay Şişecam Holding AG

Staettermeyergerasse 28-30, A-1150 Vienna - Austria Tel: (43) 01 716 88 33 Fax: (43) 01 710 24 26

Service Operations**Cam Pazarlama A.Ş.**

İstiklal Cad. No. 314, 34430 Beyoğlu - İstanbul Tel: (212) 313 47 00 Pbx Fax: (212) 313 48 04 www.sisecam.com.tr

Camış Ltd.

Lord Coutanche House 66 - 68 Esplanade, St.Helier Jersey C.Islands - England Tel: (441) 534 59 950 Fax: (441) 534 58 710

Şişecam Sigorta Aracılık Hizmetleri A.Ş.

İş Kuleleri, Kule 3, Kat 2 34330, 4.Levent - İstanbul Tel: (212) 350 50 50 Fax: (212) 350 51 79 www.sisecam.com.tr

