

“performance and vision”



group profile

Şişecam is a Group primarily involved in the production of glass and chemicals. It is one of 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 İşbank upon a directive issued by Atatürk, the founder of modern Turkey, Şişecam celebrated the 68th anniversary of its operations in 2003. Şişecam initially set out to meet the requirements of the country as regards to glass products; in the 1960s, it turned its attention toward exports on the principle that "the whole world is our market." In the 1970s and 1980s, 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 clear 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 significant steps toward 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 toward a prosperous future.

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

net sales

USD **1,298** million

exports

USD **521** million

investments

USD **280** million

shareholders' equity

USD **1,139** million

net financial debt

USD **221** million

EBITDA

USD **289** million

net profit

USD **125** million

performance

"performance and vision"

The **Şişecam Group** completed the year 2003 with high performance. All main operating indicators displayed an upward trend on a consolidated basis. More importantly, large strides have been taken in accordance with the Group's vision of "**being the leading producer in its vital geography**". The strong cash flow generated continued to be directed toward strategic fields that will carry the Group into the future. In this context, the entire shares of **Trakya Cam**, **Anadolu Cam**, and **Soda Sanayii**, owned by **İşbank**, the main shareholder of Şişecam, were taken over. With this operation worth USD 118 million, accomplished without any external financing, the share of the Group in these companies has increased, providing an advantageous structure for the future.

Flat Glass



Trakya Cam, despite the contraction in the construction sector, grew due to the developing replacement market, autoglass and exports. The second float line has been renovated via a modernization investment and the efforts toward a stepwise expansion of the autoglass production capacity have continued. The float line investment in Bulgaria will start by mid-2004.

Glassware

Paşabahçe Cam further increased its production by commissioning a second furnace at the Eskişehir plant in March. By taking over **Posuda Ltd.** in the Russian Federation, Paşabahçe Cam acquired a bridgehead in the country and started work on new investments. The investment in Bulgaria will start in 2004 parallel to the progress made in exports and overseas markets.



Glass Packaging



Anadolu Cam has continued its strong growth and enhanced financial performance. **Ruscam**, its subsidiary in Russia, commissioned a second furnace in April 2003 and a third furnace in April 2004. With the purchasing of the Russian glass packaging company, **Pokrovsky**, the production capacity exceeded one million tons. New initiatives will continue.

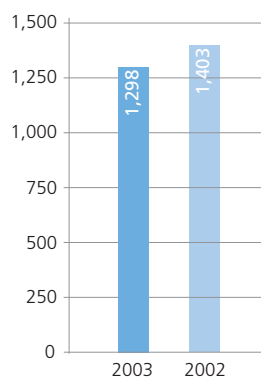
Chemicals

Soda Sanayii could not succeed in meeting its performance targets due to unfair pricing of fuel-oil and the negative global outlook with regard to chromium chemicals. The Company will overcome a significant burden when natural gas will be available in 2005. **Cam Elyaf** has doubled its production capacity with the second furnace launched in March, consolidating its position on the international arena.

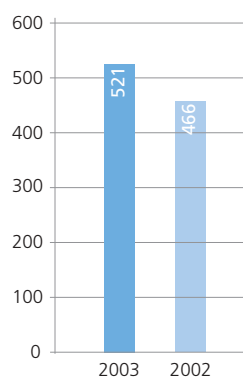


financial highlights

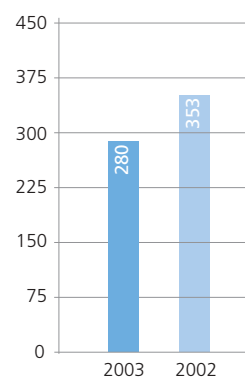
Net Sales
(USD m)



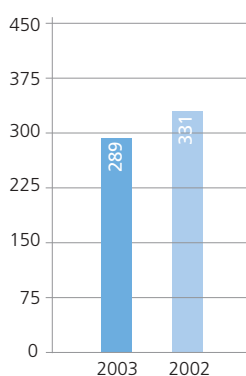
Exports*
(USD m)



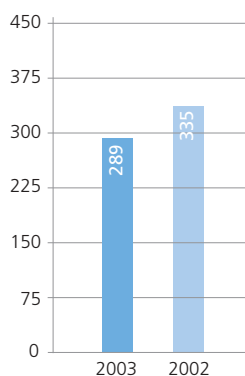
Investments
(USD m)



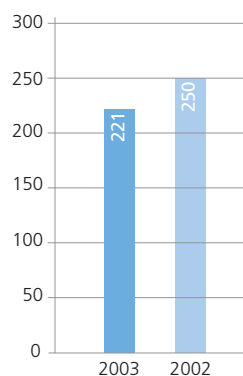
Cash from Operations
(USD m)



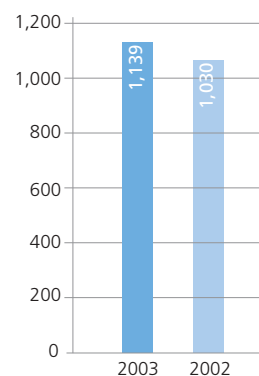
EBITDA
(USD m)



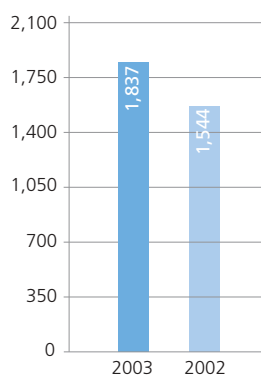
Net Financial Debt
(USD m)



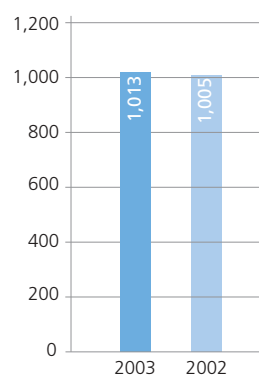
Shareholders' Equity
(USD m)



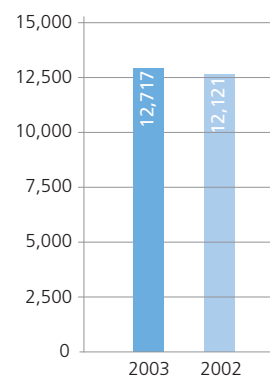
Glass Production
(000 ton)



Chemicals Production
(000 ton)



Number of Employees



* Amount of exports represents the total of various currencies converted to CIF USD at the date of actual exports.

Summary Consolidated Balance Sheets in Accordance with IFRS*

	2003		2002*	
	TL	USD	TL	USD
Current assets	817	585	794	569
Long-term assets	2,250	1,612	2,477	1,774
Total assets	3,067	2,197	3,271	2,343
Current liabilities	447	320	525	376
Long-term liabilities	503	360	493	353
Minority interest	527	378	815	584
Shareholders' equity	1,590	1,139	1,438	1,030
Total liabilities and shareholders' equity	3,067	2,197	3,271	2,343

Summary Consolidated Statements of Income in Accordance with IFRS*

	2003		2002*	
	TL	USD	TL	USD
Net sales	1,812	1,298	1,958	1,403
Cost of sales	(1,172)	(839)	(1,230)	(882)
Gross profit	640	459	728	521
Operating expenses	(371)	(266)	(411)	(295)
Operating profit	269	193	317	226
Finance income / (expenses) (net)	11	8	(39)	(28)
Other expenses (net)	(48)	(34)	(38)	(27)
Monetary gain	35	25	74	53
Profit before taxation and minority interest	267	192	314	224
Current tax expense	(74)	(53)	(71)	(51)
Deferred tax benefit / (charge)	45	32	(54)	(38)
Profit before minority interest	238	171	189	135
Minority interest	(63)	(46)	(89)	(64)
Net profit	175	125	100	71
Earnings before interest and taxes (EBIT)	193	138	264	188
Depreciation and amortization	211	151	205	147
Earnings before interest, taxes and depreciation (EBITDA)	404	289	469	335
Net cash provided by operating activities	403	289	462	331
Net financial debt	308	221	349	250

Financial Ratios

	2003	2002*
Current assets / Current liabilities	1.83	1.51
Total liabilities / Total assets	0.31	0.31
Total liabilities / Shareholders' equity	0.60	0.71
Net financial debt / Total assets	0.10	0.11
Net financial debt / Shareholders' equity	0.19	0.24
Gross profit / Net sales	0.35	0.37
Operating profit / Net sales	0.15	0.16
EBITDA / Net sales	0.22	0.24
Net financial debt / EBITDA	0.76	0.74

* Amounts expressed in trillions of Turkish Lira (TL) in terms of the purchasing power of the Turkish Lira on Dec. 31, 2003 and millions of USD. 2002 has been restated.

to our share

to our shareholders

The character and structure of the glass industry necessitate specialization, economies of scale, an extensive market presence and technological sufficiency. All these elements within the globalization process urge us to make our businesses earn a perspective of "strategic depth".

Economic Conditions

Turkish economy completed its second year following the crisis with a positive trend well above the expectations. **The fruits of the Economic Program** carried out in cooperation with the IMF in order to reduce inflation and public debt stock and to achieve sustainable growth **have begun to be harvested.** Neither the Iraq war nor the subsequent turmoil within the year nor major terrorist attacks could make a significant impact on economic stability. This is not only an obvious indicator of progress made in terms of confidence but also **a result of political stability due to the one-party government and its commitment to execute the Economic Program.**

The general outlook of the national economy in 2003 can be summarized as follows:

- **National economy grew by 5.9% in GNP terms.**
- Inflation rates were reduced significantly with a drop of 13.9% in WPI and 18.4% in CPI. **The monetary policy, on the other hand, has been executed successfully.**
- Public consumption and investment expenditures contracted in real terms and **the consolidated budget primary surplus target was met** thanks to tight fiscal policies.
- Exports increased by 27% to USD 50.8 billion and imports amounted to USD 64.8 billion with a 34% increase while the current deficit recorded a significant rise to USD 6.8 billion. Thanks to the confidence created and **foreign currency inflows, financing the current deficit was no longer a problem.**

- The free floating exchange rate policy was carefully sustained and the Turkish Lira appreciated by 7% against the foreign exchange basket. **Depreciation of the USD against the Euro has partially compensated for the competitive power loss of Turkey.**

- Despite economic growth and decreasing labor supply, **the rate of unemployment increased from 10.3% to 10.5%.**

Notwithstanding the prevailing positive development, it would still be too early to claim that the national economy is now on a steady course since there are many difficulties and obstacles awaiting Turkey. The increasing debt burden due to high real interest rates and the relative stagnation in the domestic market as part of the disinflation policy remain as major concerns although the export figures displayed a positive outlook in the first quarter of the year. **Under the given conditions, it is clear that the economy should be governed carefully in order to secure a "sustainable growth".**

In this context, sustaining political will behind the Economic Program and continued confidence is of significant importance. Certainly, a lasting economic recovery is only possible with the completion and sustenance of structural reforms. **Basic reforms including an extensive range of issues such as social security, unofficial**

economy, taxes, privatization, public administration, agriculture and banking will pave the way to economic breakthrough.

The fundamental requirement here is creating an "investment climate" and making Turkey a "center of attraction" particularly for direct foreign investments. While this secures a prosperous future for Turkey, structural reforms are the key to such a future, because **being competitive in a market economy open to global competition has become difficult, due to high input costs from the public debt burden, let alone creating a center of attraction.** Therefore, sustaining the Economic Program and reforms is a must.

As for the global economy, in 2003, there was a higher growth rate of 3.9% compared to that of the previous year whereas there have been considerable differences on a regional basis. The Far Eastern countries, China in particular, achieved growth rates above 9% while this figure for the USA and Japan stood at 3.1% and 2.7%, respectively. **The Euro region, on the other hand, could not recover from**



The second furnace of Cam Elyaf, which was completed in only 10 months, doubled the glass fiber production capacity.



The second furnace of Paşabahçe Eskişehir further strengthened the exports of glassware.



The second furnace of the Trakya plant of Trakya Cam, costing USD 35 million and achieving a high level of competitiveness after being renovated with state-of-the-art technology, was opened by the Prime Minister, R. T. Erdoğan.



Ruscam, a subsidiary of Anadolu Cam, got closer to its goal of being the largest producer of glass packaging in the Russian Federation in the next five years, thanks to the second furnace opened by the Secretary of State, K. Tüzmen.

stagnation. The US economy, with its significant importance among other developed countries, is expected to lead the recovery in the global economy in 2004. However, the increasing budget and current account deficits in the US economy are still posing serious problems. It is important for the Euro region to realize its structural reforms and get over stagnation.

The bottom line is that 2003 has brought a positive context both for Turkey and global economy. Perspectives for 2004 are also optimistic. The progress Turkey will make toward EU membership will further enhance confidence and strengthen optimistic expectations.

Operating Results

The Şişecam Group completed the year 2003 with highly positive results and a high performance. **The upward move on a consolidated basis continued in all main operating highlights.** We would especially emphasize that these results were achieved despite the contractions in our target markets such as construction and the unfair cost increases in some inputs such as fuel-oil.

Within the framework of its sound structure reflecting presence in the sector for long years, consistent industrial perspective, and social care, **the Group** was able to overcome all challenges, take all the necessary measures, and **continued to reach higher levels confidently as it should.**

The operating results achieved in 2003 are stated below:

- Net sales were realized at **USD 1.3 billion** while exports increased by 12% to **USD 521 million.**
- Total glass production increased by 19% and exceeded **1.8 million tons.**
- Chemicals production was recorded at over **one million tons.**
- Investment expenditures amounted to **USD 280 million, USD 124 million** of which was made up of various portfolio investments.
- Despite high investment expenditures, net financial debt decreased by 12% down to **USD 221 million.**
- While efforts toward increasing efficiency to top levels has continued, the number of employees were raised to **12,717** with a 5% increase paralleling the investments for growth.
- The Group's profitability and ability to generate cash were further consolidated. The net profit after tax increased by 76% to **USD 125 million** while EBITDA and the cash from operations reached **USD 289 million.** **The financial indicators reflect a healthy status.**

The funds generated continued to be directed toward strategic fields that will carry the Group into the future. **In this context, the entire shares of Trakya Cam, Anadolu Cam and Soda Sanayii owned by İşbank, the main shareholder of Şişecam, were taken over.** With this operation worth **USD 118 million**, accomplished without any external financing, the share of the Group in these companies has increased, providing an advantageous structure for the future.

On the other hand, capital expenditures for growth and development in the major fields of activity continued at top levels, new production facilities were commissioned and significant initiatives were started.

In the Flat Glass Business, **the modernization of the second float line at Trakya Cam and the first phase of the enlargement investments at Trakya Otocam** were completed. In parallel to the rapid developments in the automotive industry, the Business carries on with its efforts toward further enhancing its activities with regard to autoglass. **Construction for the float line investment in Bulgaria and the glass processing plant** will start by mid-2004.

As for the Glassware Business, the second furnace, which doubled the capacity of **Paşabahçe Eskişehir** facility, started operating in March 2003. By taking over **Posuda Ltd. in the Russian Federation**, Paşabahçe Cam acquired a bridgehead in the country and started work on new investments. Another investment is yet to be initiated in Bulgaria in 2004 while the efforts were continued for the improvement and prevalence of **Paşabahçe Stores** with their highly appreciated new concept.

The Glass Packaging Business achieved significant growth when **Ruscam**, the subsidiary of **Anadolu Cam** in Russia, commissioned its second furnace in April 2003 and a third furnace in April 2004. In addition, the Business further strengthened its position by purchasing **the Russian glass packaging company Pokrovsky** from the EBRD in March 2004.

The change on the axis of transition to "multi-focused production" and "multi-cultural management" will doubtlessly allow our Group to make further progress with its corporate identity of "a world-class company". To this end, we are acting sensibly and responsibly, performing all the necessary tasks to ensure the best process of change.

On the chemicals side, Cam Elyaf had the chance to solidify its strong position among the leading international glass fiber producers upon the commissioning of the second furnace in March which doubled production capacity.

Intensive campaigns for rationalization and increasing efficiency covering all fields of activity and functions of the Group were conducted as in previous years. Given that its "competitive position" constitutes the most important source of strength for the Group, all actions were based on maintaining and improving this position. Within this perspective, R&D and environmental activities were further strengthened.

One upsetting point in 2003 was that the operating results of Soda Sanayii were below our performance criteria. With its energy-intensive production, the Company suffered from the adverse effects of the falling price in global markets for its products and was confronted with a severe and unfair burden resulting from the extremely increased fuel-oil cost due to the high Consumption Tax. While intensive efforts were made to remedy the situation, the final solution will be found in 2005 when natural gas will be available in Mersin as the alternative fuel. The competitive power of the Company will further increase with a natural gas cogeneration investment.

Future Perspectives

We would like to emphasize that whatever challenges we will have to struggle with, we see a bright future in 2004 and after. We have the pride of

having taken strong steps in accordance with our vision of "being the leading producer in our vital geography" which draws our roadmap for the following periods. Furthermore, sustaining this progress via new strides will be a fundamental element on our agenda.

The character and structure of the glass industry necessitate specialization, economies of scale, an extensive market presence and technological sufficiency, which are essential elements in close connection and support of each other. All these elements urge us to make our operations earn a perspective of "strategic depth" within the globalization process. This, as a matter of fact, is the "basic dynamic" underlying our vision which, we believe, will carry our Group into a brighter future.

Şişecam has reached a new phase in the race continuing for the last 69 years and carries on with the excitement of the need for a new era of change and development resulting from sailing to new horizons. The change on the axis of transition to "multi-focused production" and "multi-cultural management" will doubtlessly allow our Group to make further progress with its corporate identity of "a world-class company". To this end, we are acting sensibly and responsibly, performing all the necessary tasks to ensure the best process of change.

As you all know well, Şişecam has unalterable and unsacrificable values, which primarily consist of being "human focused" and

"a reliable organization". These values will always be maintained carefully. In this context, Şişecam will continue being an organization to confide in, ceaselessly creating value for its shareholders, employees, customers, suppliers and the society at large.

Our shareholders shall have higher hopes about and increase their expectations from the Group because Şişecam reaches out to a great and bright future standing upon the strong foundations built by "those giving life to glass", those who brought Şişecam to where it stands today. The Group has the strongest ever will and decisiveness to accomplish this.

Our most heartfelt wish is that our shareholders shall maintain their trust in glass and in Şişecam, and receive the reward of their support as "an efficient partnership with an ever-increasing value". We believe that Şişecam's achievements so far will provide a basis and power for its future success.



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

Kazım Murat Ağılönü
Auditor

M. Sırrı Erkan (4)
Member

Suat İnce (5)
Member

Mahmut Magemizoğlu (6)
Member

Senar Akkuş*
Auditor

H. Fevzi Onat (7)
Member

Ali Rıza Oskan* (8)
Member

Turgay Tanes (9)
Member

Nurgün Özdeş
Auditor

audit committee

* On June 6, 2003 Ali Rıza Oskan and Senar Akkuş were elected to replace Zafer Memişoğlu and Yılmaz Ertürk.

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

executive management

A. Doğan Arıkan (1)
President

Ateş Kut, Ph.D. (5)
Executive Vice President
Chemicals

Yıldırım Teoman, Ph.D. (9)
Vice President
Research & Technology

Alev Yaraman (2)
Executive Vice President
Flat Glass

Türkay Ergun, Ph.D. (6)
Vice President Treasury

Rüştü Bozkurt, Ph.D. (10)
Secretary General

Gülsüm Azeri (3)
Executive Vice President
Glassware

Ahmet F. Polatkan (7)
Vice President
Financial Control

Mete Saadetlioğlu
Chief Internal Auditor

Teoman Yenigün (4)
Executive Vice President
Glass Packaging

Mehmet Kara (8)
Vice President
Corporate Planning

Professor Safa Reisoğlu
Chief Legal Advisor



flat glass

Ulukan İyigün
Ömer Boyacıoğlu
Çetin Aktürk
Akif Sözen

Prod. and Develop. Director
Autom. and Proc. Director
Marketing and Sales Director
Management Services Director

glass packaging

Mustafa Akay
Ekrem Barlas
Aktan Pinar

Operations Director (Acting)
Development Director
Marketing and Sales Director
Management Services Director

glassware

Taner Uz
Süreyya Bilsen
Gür Kaynak
Hüseyin Özcan

Prod. and Develop. Director
Prod. Plan. and Logis. Director
Marketing and Sales Director
Management Services Director

chemicals

Atilla Didin
Ünay Güldal
Mehmet Atukalp
Mehmet Orhon

Operations Director
Development Director
Marketing and Sales Director
Management Services Director

review of businesses

→ → →

flat glass	2
glassware	0
glass packaging	0
chemicals	0
service operations	3
focal points	

flat glass



Business Consolidated Financial Highlights	IFRS	USD m	2003	2002
	Net sales		321	335
	Exports		103	96
	Gross profit		121	125
	Operating profit		67	57
	Net profit		63	66
	EBITDA		131	167
	Net financial debt		20	30
	Shareholders' equity		569	609
	Total assets		782	865
	Investments		43	124
	Number of employees		2,263	2,260

Trakya Cam Consolidated Financial Highlights	IFRS	USD m	2003	2002
	Net sales		315	298
	Exports		96	90
	Gross profit		115	112
	Operating profit		67	64
	Net profit		62	62
	EBITDA		104	97
	Net financial debt		18	27
	Shareholders' equity		486	453
	Total assets		696	666
	Investments		43	103
	Number of employees		2,041	2,036

In accordance with the vision of "leadership in its vital geography", the first step of positioning in the region has been taken in Bulgaria. This will be followed by other initiatives.



Trakya Cam's float line project in Bulgaria has great importance to the region and related activities are followed up at the top level.

The global flat glass industry continues to develop with the increasing importance given to the efficient use of energy and environmental issues. Thanks to the recovering in the European and North American markets, which had been moving in a downward spiral in recent years and the increasing growth in Asia-Pacific market, **the sector achieved a growth rate of 3.5%**. The demand for glass is increasing in the construction sector, especially in new buildings and replacement market, while on the other hand, the automotive sector is continuously developing and transforming into a more global structure. Substituting standard float glass, the use of processed glass of high added value is increasing in all markets.

Turkish flat glass market has also expanded with the economic growth achieved in 2002-2003.

Trakya Cam, which is among the top eight companies in the world with a 3% share and among the top five

European companies with 9%, persistently strives to strengthen its competitive advantage in domestic and export markets in conjunction with the vision of "leadership in its vital geography".

Trakya Cam, the flagship of the Flat Glass Business is the only flat glass producer in Turkey and a pioneer in automotive glass and processed glass products with its state-of-the-art technologies. Trakya Cam contributes to the national economy in terms of exports and substantial employment as well as the input provided to construction, automotive, white goods, furniture, energy and agriculture sectors. The Company has proven international success built on the know-how and experience accumulated through many years in the sector. **In a study carried out by Forbes in 2003, it was listed among the top most successful 200 companies with up to USD 1 billion turnover in the world.**

Trakya Cam carried on its growth due to particular growth in replacement

market and escalated use of high performance double-glazed glass like Isicam S and Isicam Konfor although the construction sector shrank seriously in recent years. In 2003, **significant sales figures in terms of volume were realized in all product segments**, particularly in flat glass and autoglass products.

The Trakya Otocam plant, the leader of automotive glass market in Turkey for OEM, meets demand for not only current and new models but also replacement glass market.

Year 2003 was a very successful year for the automotive sector with the number of vehicles produced amounting to a record-breaking 562,000. Turkey is on its way to becoming one of the production and trade bases of the European automotive market.

Trakya Otocam has established a logistics infrastructure to be able to meet the customer requirements on time with a share in European markets

The use of heat and solar control glass of high added value in significant projects is continuously increasing parallel to the trends in architecture.



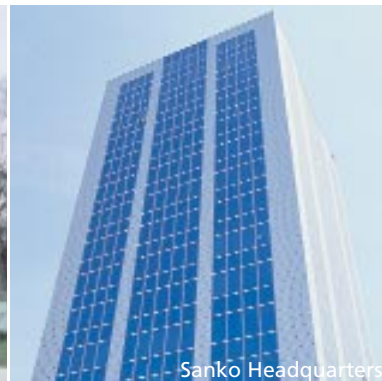
Tekfen Tower



Şişecam Camlarının Gökemli Yükselişi

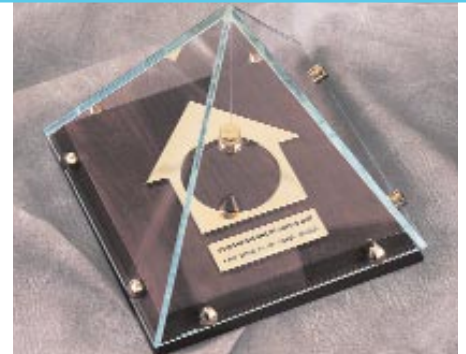


Optimum Houses



Sanko Headquarters

In accordance with the global trends, the Flat Glass Business has continued to diversify its product range in favor of value-added products.



The Tentesol product, which provides solar control, received the Golden Plumbet award, which is the 'Oscar' of the Construction Industry.

for the existing models in Turkey and developing regional strategies for the other models. Furthermore, the Company pursues technological developments and improves its technical skills continuously through training in order to keep current with the ever-changing demand and variety of products in automotive glass and to become the co-designer of the new models.

Trakya Glass Processing plant, one of the most important producers of tempered glass in Turkey, meets the glass demands of the leading manufacturers of household appliances, shower cabins, solar energy panels and coolers, where tempered glass is extensively used, with a focus on product quality and timeliness. The Company is involved mainly with the household appliances sector working with leading names in Turkey such as Arçelik and Vestel. A similar trend, as in the automotive sector, prevails in the household appliances sector where production has considerably grown in recent years parallel to the increasing weight given to exports. Exporting

54% of its production, Trakya Processing plant is the supplier of prominent names in foreign markets such as Electrolux and Merloni for household appliances and Ikea for furniture.

The Flat Glass Business is not only an active player in the European market but also has significant market shares in the Balkans and the Middle East with **its export sales constituting one third of the total sales**. The export sales of the Flat Glass Business increased by 16% in 2003 to 287,000 tons compared with 2002 figures for flat, mirror, laminated, tempered, figured and automotive glass. Products were exported to 43 countries, 69% went to Balkan and European countries.

The Flat Glass Business is in pursuit of expansion in those countries surrounding Turkey including the Balkan countries in particular, which have an important potential of growth and consumption. In accordance with this strategy, **the Company is going to establish a float plant in Bulgaria.**

This investment totaling USD 100 million, is expected to be completed in the fourth quarter of 2005; it will be an important step taken with regard to embodiment of the Flat Glass Business vision. Concurrently, investments in Turkey continue at a rapid pace.

In parallel with developments in the automotive sector as of year-end 2003, Trakya Otocam completed USD 18 million of its USD 36 million expansion investment, which **increased the capacity from 600,000 car-sets to 1,000,000 car-sets**. The remainder of the investment is in progress and a capacity of 1,600,000 car-sets will be reached in 2005.

Another investment completed has been **the Trakya Cam Second Furnace Cold Repair and Modernization Project**. In operation for twelve years until 2002, the furnace has a flat glass production capacity of 200,000 tons/year. It has been overhauled and renewed with a modernization investment worth USD 35 million. Thanks to this investment, the furnace has been modernized such that it will

Trakya Otocam, the leader of the Turkish autoglass market for OEM, increased its export sales to many European countries and accomplished significant steps in creating brand recognition.



TRAGLASS
TRAKYA
TOGLAS
EAGLASS
TOFLEX

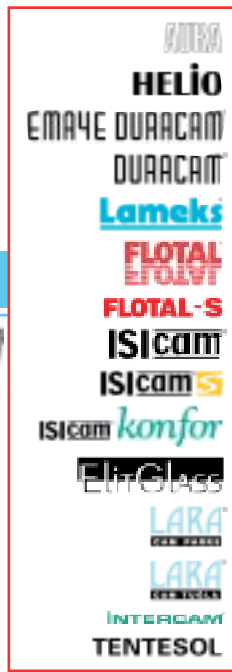


Fiat - Idea

Toyota - Corolla



Dacia - Solenza



Trakya Cam maintained its strong position in tempered glass, which is extensively used in household appliances, bathroom, energy, furniture and decoration and continued its efforts toward creating brand recognition.

now be able produce glass of all types, a requirement for the value added products with a strong competitive edge; and equipped with the state-of-the-art technology similar to the other float lines.

A new figured glass furnace investment worth USD 18 million will replace the obsolete furnaces at **Çayırova Cam** at the end of 2004 and produce high quality figured glass of 50,000 tons/year at the Trakya Mersin plant. Thus, all production facilities and the related sales/marketing activities of the Flat Glass Business will be united under the corporate body of **Trakya Cam Sanayii A.Ş.**

One of the Flat Glass's main concerns, cost reduction projects, have been continued, achieving savings of USD 6 million per year thanks to savings on materials and labor as well as increased efficiency and quality. Cost reduction projects will maintain its priority among other projects in all units during the upcoming periods.

The increasing energy efficiency and environmental awareness, R&D activities and especially the newly developed products in coated glass constitute the important competitive advantages of the Business. In parallel with these trends, the Flat Glass Business manufactures high-performance double-glazed glass such as **Isıcam S** with heat control coating and **Isıcam Konfor** with heat and solar control coating. It also produces pyrolytic coated glass such as **Tentesol** and noise controlling **Lameks**, offering world-class, high-quality, energy-saving and **environment-friendly products** to its customers. Remarkable steps are

being taken with R&D studies regarding product development while investments continue intensively. The importance and share of insulation sector within the construction industry increases day by day. TS 825 "Standard Regarding Heat Insulation in Buildings" requires that insulation glass be used in new buildings constructed in accordance with the Housing Department's Regulations Related to Heat. However, problems stemming from execution and inspection of TS 825 persist and there are currently no legislation regarding energy savings in existing buildings. In buildings, where heat insulation measures are lacking, a large amount of the energy used for heating is wasted. If the glass of all the houses in Turkey were coated with Isıcam S or Isıcam Konfor, **USD 1 billion could be saved on the energy used for heating.** Since the efficient use of energy resources is important to individuals and the nation under the current conditions in Turkey, it is also important that the use of such glass shall be promoted and backed up by laws. In this context, Trakya Cam, in cooperation with non-governmental organizations, works hard to create a public consciousness on the contributions of insulated glass to household budgets, creating better and healthier living conditions in a cleaner environment.

The Flat Glass Business attended 26 trade fairs and exhibitions, 11 of which were organized in Turkey and 15 were abroad. Launched in the market in 2003, the Tentesol product, used primarily for office and commercial buildings with glass curtain walls that require solar control and reflection, was awarded a **Golden Plummet** by the Building & Industry Center at the Istanbul Construction Fair, on account of its contributions regarding technological development, rationalization, energy savings and environmental adaptation.

The Flat Glass Business, with its workforce, production, market structure, revenue upsurge, financing capabilities, and vital foreign investment projects scheduled for this year, claims to empower itself while growing and thus sees 2004 as a year of unprecedented leap forward as it moves toward the future.



Promotional activities for Isıcam S and Isıcam Konfor to increase public consciousness were successfully carried out.

glassware



Business Consolidated Financial Highlights	IFRS	USD m	2003	2002
	Net sales		441	471
	Exports		242	203
	Gross profit		157	176
	Operating profit		49	56
	Net profit		40	26
	EBITDA		114	146
	Net financial debt		85	104
	Shareholders' equity		476	437
	Total assets		736	693
	Investments		72	63
	Number of employees		4,759	4,507

Paşabahçe Cam Consolidated Financial Highlights	IFRS	USD m	2003	2002
	Net sales		355	355
	Exports		224	187
	Gross profit		108	111
	Operating profit		33	29
	Net profit		25	13
	EBITDA		65	69
	Net financial debt		84	73
	Shareholders' equity		303	278
	Total assets		547	453
	Investments		69	61
	Number of employees		3,164	2,914

The investment to be realized in Posuda Ltd., a company taken over in the Russian Federation, aims at capacity increase and market leadership.



Taken over this year, Posuda Ltd. will become the leader of its sector in Russia with new investments.

In 2003, there was a general state of stagnation prevailing in the developed countries' markets such as the USA, EU and Japan in terms of glassware sector while the steady growth observed in the developing Eastern European and Balkan markets regarding glassware continued during the year. As for the Middle East, the demand for glassware increased at a rapid pace since the war in Iraq did not last long and oil prices remained high globally.

Considering the supply side of sector developments, the output continued to decrease in the advanced industrial countries whereas production followed an upward trend in the Middle East, Asia (China in particular) and Eastern Europe during 2003.

Design flexibility improved as a result of the developments in production technologies making it possible to use more design products and leading to an increase in the demand for colored and decorated products.

During 2003, the demand for household glassware was higher than that of the service sector and the increase in consumption was rather observed in low-price product groups. Imports particularly from Indonesia went up at a more rapid pace while other domestic producers also increased their output.

The Glassware Business, the second largest producer of glassware in Europe and the third in the world, increased total sales of glassware by 7.5% in 2003 expanding its share in the world markets and maintaining its domestic leadership in spite of capacity limitations and the stagnation in the developed markets. Total production increased by 4.5% compared to the previous year, thanks to the second automatic glassware production capacity commissioned at **Paşabahçe Eskişehir**.

The Glassware Business, which always aims at achieving better positions in

the sector, has taken over the glassware producer, **Posuda Ltd.** of the Russian Federation at the end of the year. In addition to the increasing exports of glassware from Turkey to Russia, the taking over of Posuda Ltd. has been the first considerable step taken by Paşabahçe toward leadership in the Russian market.

With **Paşabahçe's automatic production and Denizli Cam's hand-made products**, total exports of glassware amounted to USD 242 million with a 10% increase in amount and a 19% increase in value compared to that of the previous year. Export sales were mainly to Northern Europe, Central and Eastern Europe, and the Middle East. Exports to Germany, United Kingdom, Iran, Russia, Denmark, Poland, Portugal and Iraq increased at high rates.

Efforts toward product diversification continued also during 2003 in order to maintain and improve market shares in global markets and the exports of

Modern and innovative products have been designed in parallel to the changing life styles and developing tastes of consumers.

The "Chateau" series has been specially designed in the name of offering the consumers the ceremony and grace of wine serving.



Casablanca



Cosmopolitan



Chateau

Despite the unfavorable conditions in the market, total sales increased by 7.5% in volume and significant improvements were achieved particularly for the overseas distribution organization.

products other than tumblers and stemware increased at a rate above the average. During the year, 450 new products were launched in the export markets for mechanically produced products while the share of standard sales from stocks within total exports increased. Sales and marketing activities aiming at increasing direct sales to chain stores, speciality stores and multi-story stores have been carried out and the number of retail customers in the portfolio have been expanded.

Sales and marketing services have been developed to increase supplies to local chain stores in key markets such as the USA and several European countries as well as international markets. In pursuit of this objective, a new sales and marketing company, **Paşabahçe USA** has been founded in New York in addition to the Germany based **Paşabahçe Glas** sales and marketing company. There are also ongoing efforts for opening a sales office in Spain. Efforts toward improving logistic services continued and the warehouse, launched to supply small-scale customers orders in Europe, has been the second warehouse in service of this market.

Sales in the domestic market increased by 6%. In addition to the value added new collections created to develop the household market, new series have been launched in the market to balance imports and appeal to a larger number of consumers at affordable prices. Sales of such series increased at a high rate.

Just as in the previous years, in 2003, **the Business attended 20 trade fairs** including international and local fairs and specialty fairs in Turkey and abroad.

Capacity utilization in automatic production of glassware was maintained at top levels in 2003 leading to production and efficiency increases of 4.5% and 1%, respectively. During the year, activities focusing on cost reduction, production flexibility, product development and modernization continued intensively. One of the production lines of the new furnace, launched at the Paşabahçe Eskişehir facilities doubling its capacity, started to operate as the second advanced production line of the Business for stem sealing type stemware production. Furthermore, a

rapid press production line has been launched in Paşabahçe Mersin facilities while production of colored glass has become more flexible with investments in forehearth coloring in various production lines. In order to meet market demands in accordance with fashion trends and create added value for the products developed, **an investment regarding a decoration workshop has been realized** in which a complete organic dyeing line started to operate with a 6-color printing machine and an organic bottom dyeing machine.

Another significant development in terms of production efficiency was **the commissioning of the maintenance workshop for machines**, established to serve all plants.

Technical studies have been carried out to enhance efficiency and product quality in Posuda Ltd. facilities in the Russian Federation taken over in 2003, and in the first place, a modernization investment aimed at replacing the present production lines has been started.

Paşabahçe Stores offer automatically produced glass products and hand-made colored products as well as highly valuable original designs reflecting Turkey's history and culture.



Three of Camiş Ambalaj's products were awarded with the "Golden Package" in a competition organized by the Turkish Standards Institute.





Hand-made products from the Denizli Cam fall-winter collection have been designed in vivid colors in accordance with global trends.



Customers have developed expectations about new collections and this has been further supported by efficient promotional activities.

The Supply Chain Management Project, which targets a faster, more secure and optimized supply chain for improving the quality of customer services and minimizing costs, **has been started. As of the year-end, the scope of the project was specified and the implementation stage started.**

The leader of chain specialty stores in Turkey, **Paşabahçe Stores** have always been ahead of product trends before anyone else and strive for the best possible services and store formats. The stores have carved themselves a distinguished place with their **"Life"** and **"Boutique"** concepts. Four new stores have been opened and 18 of the present 26 stores have been renovated in accordance with the new concepts.

Within the context of promotional activities for 2003-2004 collections of Paşabahçe, novelties in current collections have also been introduced in addition to the new collections of **"blue white glass"** and **"enameled glass"**.

Camiş Ambalaj, one of the leading producers in cardboard packaging sector, increased its sales of offset and corrugated packaging by 16% to a record-breaking level. In 2003, the Company achieved capacity utilization ratios of 100% and 90% in offset and corrugated packaging production, respectively, whereas capacity utilization ratios in the sector are generally around 50%. The Jumbo Slotter investment, aimed at product diversification, has almost been completed. The Company also

restructured its sales and marketing organization regionally so as to provide a better service to the customers and thus, improve market penetration.

All the Business plants have been certified by the **Turkish Standards Institute in accordance with the ISO 9001:2000**, which is accepted to be synonymous with the Quality Management System, business process management, continuous improvement and customer-oriented perspective. **Camiş Ambalaj Eskişehir** facilities received the ISO 14000 Environmental Management System Certificate following Camiş Ambalaj Tuzla facilities.

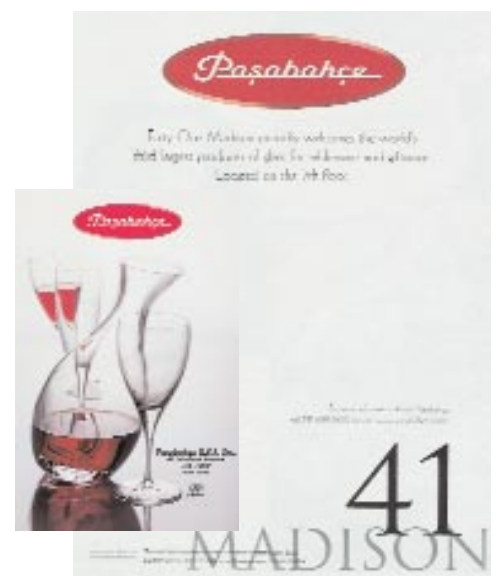
Paşabahçe Kırklareli facilities have been authorized by the **National Weights and Measures Laboratory** in the UK to print the **Royal Crown of England** on products.

2004 will be a year of breakthrough in terms of growth for the Glassware Business, whose vision implies **"becoming a global producer of glassware, always in search of improving its position among the world leaders, operating at high performance levels and acting in awareness with environmental issues"**.

A total investment of USD 14 million will be made for a 100% increase in fully automatic production capacity and production lines of **Posuda Ltd.** A completely new furnace and a production facility in compliance with Paşabahçe standards will start operating there by the middle of 2004,

which will be another important step toward **becoming the leader of the Russian market.**

An investment decision was made in 2003 regarding the establishment of a brand new fully automatic production line of glassware in **Bulgaria** to increase the Business's global reach and to parallel developments in the glassware sector. This sizeable investment of USD 60 million will start in 2004 and will be completed and launched in the first half of 2005.



Paşabahçe USA has been established in order to increase the market share in the USA and to expand the customer portfolio.

glass pac

glass packaging



Business Consolidated Financial Highlights	IFRS	USD m	2003	2002
	Net sales		304	279
	Exports		40	35
	Gross profit		100	85
	Operating profit		60	47
	Net profit		59	22
	EBITDA		104	87
	Net financial debt		56	61
	Shareholders' equity		398	341
	Total assets		561	518
	Investments		57	71
	Number of employees		2,991	2,732

Anadolu Cam Consolidated Financial Highlights	IFRS	USD m	2003	2002
	Net sales		271	245
	Exports		27	26
	Gross profit		91	79
	Operating profit		56	45
	Net profit		51	21
	EBITDA		77	67
	Net financial debt		49	39
	Shareholders' equity		308	269
	Total assets		465	421
	Investments		57	71
	Number of employees		2,564	2,321

k a g i n g



The overseas investments in pursuit of the company's vision to become a leading international supplier of glass packaging in the region, hastened growth. The corporate agenda is further shaped by new strategic initiatives.

Global glass packaging production, accounting for half of the world glass production of 100 million tons, is expected to reach 55 million tons in 2005. Global demand for glass packaging used for alcoholic and non-alcoholic beverages and food increases by 2% on average annually.

Glass packaging consumption per capita is very low in Turkey compared to that of other industrialized countries. This demonstrates the potential for growth in the glass packaging sector where consumption is expected to increase in parallel with the enhanced consciousness of the public regarding health and environmental issues.

Light-weight bottle production technology, original bottle designs, production of bottles in different colors, high quality labeling and printing techniques are just a few advantages of glass packaging against substitutes. **Dominating the Turkish market with a 90% share, Anadolu Cam's Topkapı, Çayırova and Mersin**

facilities produce glass packaging of different sizes, colors and designs for food, water/mineral water, fruit juice, milk, beer, wine and other high alcoholic beverages as well as for cosmetics and pharmaceuticals. The facilities are capable of producing packaging of different volumes on demand ranging from 8 ml. to 8 lt. and various printing and surface coatings can be applied in accordance with product features.

There are **eight furnaces and 30 production lines** in the hi-tech facilities of Anadolu Cam in Turkey, a significant player among glass packaging producers in Europe with its production sites in **Topkapı, Mersin and Çayırova** where flint, green and amber colored glass products are produced and techniques such as narrow neck press blow and forehearth coloring are applied.

The total capacity of the Business amounts to 800,000 tons/year including 550,000 tons/year produced

by three facilities in Turkey, 50,000 tons/year from **the Mina facilities in Georgia** and 200,000 tons/year produced by the two furnaces of **Ruscam** in the Russian Federation. Once the investment project for a third furnace with an annual capacity of 140,000 tons is completed, **total production capacity will approach one million tons per year.**

Turkish economy recovered considerably in 2003. This has been reflected in many sectors, in which the Business provides services, and the sales figures in tons, including the production activities abroad, increased by 25% in comparison to the previous year.

Anadolu Cam **exports 15%** of its domestic production. Today, producers of high quality glass packaging such as France, Italy, Spain and the USA, are among the major export markets of the Business.

The new product design process, created in line with changing market



Ruscam's achievements have been cause for celebrating.

Modernization in Anadolu Cam facilities continue at a rapid pace. Additional lines have been installed to improve furnace yields in the face of continuous light weighting of products.



Six new designs have been awarded with the 'Golden Package' award by the Turkish Standards Institute.



Efforts aiming at emphasizing the positive characteristics of glass packaging to customers and creating a brand recognition for Anadolu Cam products continued intensively during the year.

conditions, includes the development of special products in accordance with customer requirements and advice from experts. Acting within the framework of "**Unconditional Customer Satisfaction**" from the design stage to after-sales services, Anadolu Cam offers its customers technical support, training and advice on how to use the products. Every year, 50 new products are introduced to the ever-growing and dynamic domestic food and beverages industry and thus, those in the bottling and manufacturing fields are given the chance to expand their market shares.

Aiming to further consolidate its position under increasing competition in the packaging industry, all production facilities of Anadolu Cam have earned the ISO 9001:2000 Quality Management Certificate indicating the importance given to quality. In addition to the previous years' awards won in **the Golden Package Competition** organized annually by the Turkish Standards Institute, six of the Company's new products received the Golden Package award this year.

Focusing on **investments for modernization**, Anadolu Cam facilities

increased production by 36,000 tons/year in 2003 with projects aiming to earn back the lost capacity due to light weighting of products. The technical co-operation agreement, signed with Ishizuka Glass in order to improve production processes, will remain in force. Significant steps have been taken improving job change and run in times thanks to the efforts carried out within this context. As in the other fields of production, **technological development** continues at full speed for glass packaging. The most important of all developments, **production of light-weight glass packaging** allowed for production of more units at the same capacity, increasing tonnage while reducing costs. Anadolu Cam uses **the NNPB (Narrow Neck Press Blow) method**, which is the latest technology in glass packaging.

While products become increasingly lighter, they are also made more attractive. Studies on high quality decoration via heat transfer, surface coating and increasing the strength of the light-weight glass packaging via **polymeric surface coatings** are underway.



Cam Ambalaj's environment-friendliness is further supported by an efficient glass recycling system.

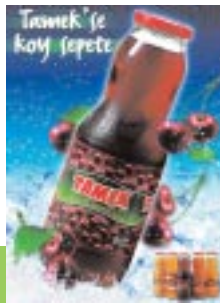
Anadolu Cam has expanded the geographical borders of its activities by including the Russian Federation, Balkans, Turkic Republics, Eastern Europe and the Middle East. The Company claims to **enlarge its market share** and become a leading supplier of glass packages in these regions.

Anadolu Cam is **in search of establishing co-operations and partnerships** in the Balkans, Russia and the Middle East, which are located close to Turkey, as a part of its strategy towards becoming a regional power. Among the overseas projects of the Business are a revival of and technical support for glass packaging and glass packaging markets in the Middle Eastern countries such as Iran, Iraq and Syria, which had been significant export markets in the past. In 2004, the growth strategy will be translated into investments and toward expansion in the region.

Producing glass containers for the wine, mineral water and beverages markets, **the Mina facility in Georgia** increased its capacity to 50,000 tons/year with a new investment completed in November 2002. The

Products, which are diversified parallel to the changing customer preferences, find their ideal packaging in glass that offers different features in terms of design and decoration.





The customers of Anadolu Cam prefer glass packaging for their pioneer products. And, glass adds value to their products.

capacity increase aims at giving more weight to export-led sectors such as wine and mineral water, and meeting the entire domestic demand for glass packaging in mineral water, non-alcoholic beverages and beer markets. The Company is also aiming at increasing its exports to countries in the region, Azerbaijan in particular, where there is a demand for different types of green and antique green bottles.

Ruscam started production in 2002 with an annual capacity of 90,000 tons, and **directs its production toward meeting the demand in the Russian market of high quality beer bottles.** The increasing demand for beer bottles led to an investment in a second furnace, which was launched in 2003 increasing the total capacity to 200,000 tons/year. Further increases in demand necessitated a third furnace, work on which started in May 2003. This investment aiming at a capacity 140,000 tons/year will be completed in 2004 and thus, **the installed capacity in Russia will reach 340,000 tons/year or one billion units.** Currently, Ruscam is the only producer of glass packaging using the NNPB technology for producing light-weight bottles. The Glass Packaging Business aims at growing in fields other than beer bottles and **becoming the number one glass packaging producer in Russia in the next five years.**

Anadolu Cam owns a system that allows for recycling glass packaging and uses the recycled glass as raw material. Thanks to this system, the Company **contributes to the protection of the environment and natural resources.** With nearly 4,000 glass

collecting banks located in ten major cities and 176 towns, 7,000 tons of glass packaging is recycled annually. Within the framework of the co-operation between Anadolu Cam and various municipalities, revenues of billions of Turkish Lira generated through the collection of glass are donated to charitable institutions. Moreover, **80,000 tons of waste,** including the glass packaging collected via commercial channels, is recycled into the economy. In order to contribute to glass recycling sector and to draw public attention to this issue, **the Association of Glass Recycling Industrialists and Businessmen** has been established through the initiative of Anadolu Cam.

Ferro Döküm, the company operating in iron casting sector, aims mainly at the automotive sector. The sector enjoyed a revival in the second half of 2003 when an upward trend emerged in the domestic market in comparison to the previous year. **Exports constitute** a large portion of this sector with **a share of 68%** in total automotive production. In line with this, Ferro Döküm's export sales

accounted for 60% of its total sales in 2003 while the revenue from overseas sales increased by 40% in comparison to the previous year. The Company reached full capacity due to favorable developments in export markets. 2002, and 2003 in particular, have been the years when Ferro Döküm started to receive the positive returns from improvement projects launched in 2000. In 2003, per capita production increased by 60% to 100 tons/capita compared to 2000.

Founded on a 50/50 partnership between Anadolu Cam and BMT Group of Belgium, **Omco-Istanbul** realized an investment of USD 260,000 in 2003 and expanded its machinery park with faster machines able to produce high quality products that meet the increasing demand by glass packaging and glassware sectors for molds of special shapes and engravings. A modernization investment worth USD 500,000 is on the 2004 agenda. Omco-Istanbul aims to intensify its activities targeting foreign markets and increase its export revenue by 50%.



Ferro Döküm supplies high quality iron castings to international brands.



Omco-Istanbul serves the entire region with its molds for glass packaging and glassware.

chemicals



Business Consolidated Financial Highlights	IFRS	USD m	2003	2002
	Net sales		355	430
	Exports		136	130
	Gross profit		60	112
	Operating profit		14	59
	Net profit		25	35
	EBITDA		64	113
	Net financial debt		43	20
	Shareholders' equity		454	460
	Total assets		628	643
	Capital investments		60	64
	Number of Employees		2,192	2,098

Soda Sanayii Consolidated Financial Highlights	IFRS	USD m	2003	2002
	Net sales		198	251
	Exports		90	89
	Gross profit		21	57
	Operating profit		(9)	22
	Net profit		2	11
	EBITDA		14	43
	Net financial debt		17	19
	Shareholders' equity		221	222
	Total assets		307	325
	Capital investments		13	39
	Number of Employees		981	1,042

Operating results of Soda Sanayii have been adversely affected by high levels of taxation of fuel-oil and intense global competition, leading the Company to take radical measures.

Soda Sanayii supplies soda ash to many industrial sectors including glass, textiles, detergent, chemicals, food and livestock feed both in Turkey and abroad. While a global supply surplus in the soda ash sector persists, demand increases at an average rate of 3% a year. The demand in the nearby regional markets increases more than the world average due to new investments. With the US dollar depreciating recently, competition in the markets stiffened further.

Despite the difficult conditions, 98% of the 2003 budget targets have been met and sales in overseas markets, which provide high added value, increased. After establishing the necessary infrastructure, the Company started bulk product deliveries in selected markets.

The water cooling project at the Mersin Soda plant, which will

generate a saving of USD 1 million per year, has come on stream while on the other hand, the use of anthracite as an alternative input also provided considerable savings. **The soda ash silo project in Mersin Port** aiming to increase logistical efficiency and reduce costs has been completed. Liquid waste is subjected to acidification with carbon dioxide to achieve full compliance with environmental norms.

The increasing fuel-oil costs posed the most critical problem in terms of production. The high Consumption Tax levied on fuel-oil further **increased the costs to the highest level since years**, which eventually led to execution of immediate short-term measures. Furthermore, given the expectations that natural gas will be available in Mersin at the beginning of 2005, projects, aiming to obtain low-cost energy via different energy sources,

have been completed. In 2004, the final decision will be made and the selected project will be implemented.

Sodi, a participation of Soda Sanayii in Bulgaria, successfully completed the year 2003 with high levels of capacity utilization and generated a considerable dividend income for Soda Sanayii.

The **Mersin Kromsan** plant, which operates as a part of Soda Sanayii, provides chromium chemicals to various sectors such as leather, wood, chemicals and paper. **The ongoing intense competition** in chromium chemicals sector resulting from the global supply surplus, persisted in 2003. However, positive future prospects have been further supported by withdrawal of some production facilities from the sector in the USA, Italy and China; and one of the producers' announcement that it will cease its activities regarding chemicals.



Mersin facilities of Soda Sanayii continues operations with environmental awareness at world standards.

The Company's efforts to maintain product and service quality as well as to improve the share in global markets, are backed up by R&D activities.



The silo investment realized at Mersin Port during the year provides considerable advantage in terms of logistics.



With its new furnace commissioned in March, Cam Elyaf doubled its production capacity and increased its export sales.

We are committed to environment, human health and safety.



'Responsible Care 2001-2003 Report' published by Soda Sanayii has been the first example of such reporting in Turkey.

Despite the competition stemming from imports, the Company maintained its domestic market share.

In China, which is an important market, **the service level offered to the customers has been improved** by organizational positioning. Accordingly, the market share increased and this trend is expected to continue into 2004.

In Italy, another important market in chromium chemicals, **projects aiming to increase the Company's efficiency** have been completed and will be implemented in 2004. Feasibility studies carried out with Italian partners for a **new production facility**, which will produce a new chromium chemical of high added value, have been finalized and the related investment will start in 2004.

The new waste water treatment facility of Kromsan has started operating. The plant's efficiency and capacity utilization ratios further increased to top levels, with new developments in production technology. The Company reached

a record-breaking level in production of its basic chemical, sodium bichromate. In addition, basic chromium sulfate production capacity increased by 13%. **Depositing of solid waste** resulting from the new production technology outside the plant site has started in accordance with all related legislations. This has been **a pioneering industrial application in Turkey.**

A new technology, developed by the R&D teams to provide increased efficiency and reduced costs, operating in connection with the present furnaces, will be launched soon.

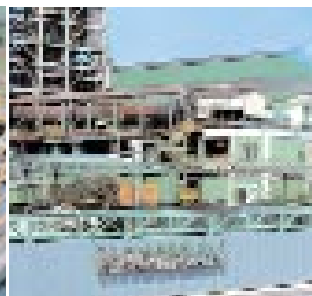
Soda Sanayii, continued carefully to implement the **"Responsible Care"** principles, an environment management system voluntarily implemented by producers of chemicals in developed countries, in production of soda products and chromium chemicals and further improved these applications. The Company published "Responsible Care 2001-2003 Report", which has been the first example of such reporting in Turkey.

Productive maintenance practices have been made prevalent in both factories minimizing production losses and allowing for a 100% capacity utilization.

The glass fiber sector, one of the major field of activity of the Business, has maintained its long-term development trend. Due to the advantages it offers, the demand for glass fiber reinforced plastics (GRP), which substitute conventional materials in many fields, is increasing. As a result, **the demand for glass fiber and polyester is also increasing.** GRP materials are increasingly used in many sectors such as aviation/space/defence, household devices and working equipment, buildings, consumer goods, sports/entertainment, electrics/electronics, navigation, transportation and automotive, agriculture/food, etc. Some stagnant market segments of 2003 are expected to grow in 2004 parallel to the recovering global economy.

Soda Sanayii continued its projects regarding health, security and environment as well as increasing efficiency and reducing costs.

Europe and North America constitute the main export markets for Oxyvit.





'Cam Elyaf Research and Development Center' is equipped with advanced technological infrastructure allowing for development of new products and assessment of product performance.



Cam Elyaf is a market leader in Turkey with its reliable and well known corporate identity. The Company continues its efforts intensively to enlarge its share in target markets.

Cam Elyaf has completed a major investment project this year. **The second furnace**, which doubled glass fiber production, was completed in only 10 months and cost 10% less than estimated. Fiber processing machines, that started operating together with the second furnace, have been manufactured by the Company allowing for a considerable reduction in costs. A new chopping line has been launched so that product flexibility was improved while polyester production capacity increased due to a recently commissioned reactor.

As a result of R&D studies, **three new glass fiber and polyester products** have been developed and introduced to the market. Moreover, the search for alternative raw materials have been going on to replace currently used raw materials and auxiliaries.

Cam Elyaf will continue with its activities such that the returns on the completed investments will be maximized in 2004. The Company aims at diversifying its product range and customer portfolio with new products and also plans to further improve its leadership in the Turkish GRP sector through new projects.

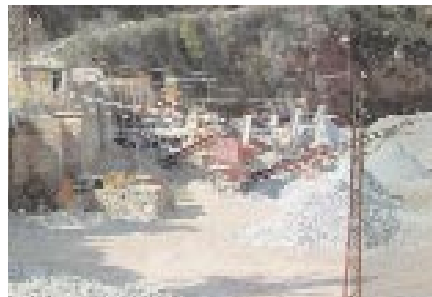
Oxyvit has established a strong position in the Vitamin K3 sector and is further improving. Vitamin K3 is an additive used in animal feed and as such is used by feed producers and premix producers in international markets. Oxyvit's market share and sales in the domestic market have increased thanks to new customers and export sales also went up by 8%.

Exports to North American markets have doubled. The Company also attended two important trade fairs: IPE/Atlanta and Eurotier/The Netherlands.

Camiş Madencilik continues with its primary task of providing industrial raw materials to Group companies on time and at favorable prices. The major customers of the Company for industrial raw materials are the glass and chemicals producing members of the Group.

Medium and long-term domestic resource planning has been completed and improvement of the cost structure continues. Depending on the product type, the Company achieved real savings of up to 20% in production and transportation costs in 2003. Camiş Madencilik also grants support to the overseas glass projects of Şişecam with respect to raw material requirements.

Camiş Egypt is currently working on a new product and the related investment project.



Erçel Limestone Mine of Camiş Madencilik operates in service of the facilities in the Mersin region.

Established in order to protect the Group companies from the negative effects of interruptions that may occur in the national electric power grid and to provide them with a high quality supply, **Camiş Elektrik** produces 400 million kWh of energy and 85,000 tons of steam in its power plants with a total capacity of 55 MW. The power plant in the Trakya region have undergone an overhaul in 2003. In addition to meeting the requirements of the Group companies regarding high quality electrical supply with its three power plants, Camiş Elektrik, also follows and evaluates the emerging opportunities in the developing energy market in Turkey for Şişecam.



Camiş Elektrik recorded the highest level of power production in 2003.

service operations



export-import products via road and railway, 335,000 tons of exports-imports via containers, 540,000 tons of exports-imports via ships, which amounted to **5.6 million tons** and **USD 70 million** in total.

Camış Lojistik provides **logistic support to the Group** with a fleet of 23 trucks and 33 specially designed trailers and owns a land of 6,200 m² in Darıca with the required infrastructure serving this fleet.

Given the current position of the logistics industry, Camış Lojistik aims at following the ever changing and increasing customer demands and technological developments to provide solutions in compliance with the contemporary approaches in logistics.

Cam Pazarlama

Cam Pazarlama operates as the foreign trade arm of the Group and acts as an intermediary in export sales of the Group companies. **Involved in exports to 124 countries realized by the Group companies in 2003, Cam Pazarlama** also began implementing its development projects in foreign trade transactions.

The Company takes part in raw and other material imports by the Group, operates warehouses, holds fuel-oil/lubricants distributorships and deals with free zone activities.

Camış Lojistik

In consideration of the changing and increasing customer requirements, **Camış Lojistik** pursues its principles in logistics via its organizations in Trakya, Eskişehir and Mersin regions. It is also involved with service providers, who comply with the corporate identity and take part in domestic and foreign operations regarding land, sea and air transport.

Camış Lojistik organized the transport of 4.6 million tons of fuel-oil, raw materials and products, 130,000 tons of

Camış Sigorta

Specialized in all insurance issues regarding the Group, **Camış Sigorta** is also the **largest agency** of Anadolu Sigorta A.Ş. In addition, the Company operates as an insurance brokerage organization nationwide.

Camış Sigorta currently serves more than 2,000 individual and corporate customers and it is always in search of ways to increase business volume and improve the quality of its services.



Corporate Governance

Because the corporate governance concept has become an important fact in recent years, **the Group closely follows the developments regarding corporate governance principles in the world.**

The importance of corporate governance practices in terms of companies is evident. The high quality of corporate governance, low capital costs, increasing means of financing and liquidity mean that crises are more easily overcome and that the Group is better able to carry out transactions in

capital markets. The Group adapts to the concepts of equality, transparency, accountability and responsibility under the capital market regulations and its articles of association. In the future, the Group will try to develop conformity within the framework of future studies and strategies for corporate governance principles.

Human Resources

Şişecam, conscious that future growth can be secured ultimately by the quality of human resources, has adapted **a policy of continuous employee satisfaction and efficiency**

improvement. This is accomplished by creating a dynamic and productive work atmosphere, where performance is reinforced.

Shaping its strategies in line with this policy, the Group continued its human resources development activities in 2003. The Human Resources Procedures and Regulations have been transferred to the web environment and can be accessed by all employees through the local network, Camport. In addition, all managers are able to access the Group Human Resources data and statistics within a defined level of authority also via the Internet.

Employees, who never lose sight of their goals where high quality is concerned, is the focal point for success, leading to continuous and steady progress.



Executive Vice President of the Flat Glass Business, Mrs. Alev Yaraman has assumed the Presidency of the International Commission of Glass (ICG) after Professor Schaeffer.

Training

At Şişecam, the training and development needs of the employees are determined through Human Resources systems such as Performance Evaluation and Career Planning, based on the data collected through these systems in an annual planning session.

As of December 2003, 126 courses and seminars, in such fields as Management, Organizational Development, Individual Development and Professional Functional Training, were held for 2,001 persons for 18,666 man-hours. Additionally, 119 employees have received 1,410 man-hours of computer training. Together with the company-specific on-the-job and classroom trainings, **the 2003 annual training activities of the Group resulted in 91,784 man-hours for a total of 17,522 persons.**

During the year, business process management approach was disseminated through training, in compliance with **the ISO 9000 Quality Management System**, and the ISO 14001 Environmental Management System was deployed in business units.

ISO 14001 Environmental Management System has shown how the environmental protection is to be handled within a management philosophy and system. Employees at all levels are trained and made conscious of the system.

The opening of the MBA Club Manager Development program is a milestone in the Company's development with the aim of creating managers with multi-dimensional and interdisciplinary comprehension. This program has involved the training of 40 people through **e-learning** methodology.

Industrial Relations

Industrial Relations is always an essential part of the corporate agenda, closely followed and evaluated by the management on a daily basis.

The year was marked by significant developments and changes with regard to industrial relations in Turkey. In addition to the new regulations such as flexible working hours and compensatory work, stipulated by **the Labor Law No 4857** with the aim of

increasing productivity, certain provisions of the same law regarding work security posed some problems in terms of industrial relations.

Industrial unrest at **Paşabahçe Eskişehir**, which began at the beginning of September, has been resolved and the plant turned back to its regular working stance.

For the **19th Period Collective Bargaining Agreement** negotiations, that began in July, the parties could not reach an agreement for a long time due to wage demands out of line with the general economic and social equilibrium. The strike decision of the Union was suspended on December 8, 2003 by the Council of Ministers since it was deemed to affect national security. **(The parties settled as of March 14, 2004.)**

The Camış Ambalaj Collective Bargaining Agreement, which shall be in effect between 9.1.2002 - 8.31.2004, has been finalized on March 28 in mutual agreement with the Union over the general economic conditions.

Şişecam realizes the importance of sports in building a healthy society and is a keen supporter of the athletics. Şişecam Roving Club has won the Turkish Championship in the youth category.





Training activities aimed at improving the working/living quality of the employees continue in all units.



Şişecam confidently continues its relationship with reputable international financial institutions.

Today, Şişecam is competing under unequal conditions with domestic and international competitors and struggles under the pressure of the "untaxed" economy and the low labor costs in the neighboring countries. Despite these unfavorable conditions, **Şişecam** has continued making further investments, acting **with the responsibility of sharing the economic surplus generated**. Thus, the Company developed new opportunities in terms of employment while providing its employees with working standards well above Turkish standards. However, while Şişecam undertakes its liabilities resulting from laws and the Collective Bargaining Agreements in a timely and complete fashion, it expects the labor unions to become not only **"demanding"** but also **"analyzing"** institutions, which evaluate the **competitiveness** of their workplace vis a vis economic, social and structural factors. To this end, the Group discloses data regarding its production facilities to all unions it signed contracts with. In 2003, **job descriptions** were restructured in accordance with the Collective Bargaining Agreements and **new wage levels** for blue collar personnel at the glass plants were established.

Collective Bargaining Agreements in the next period will concentrate on the need to **protect "the job" and "the workplace"**. In this spirit, Şişecam will work towards a harmonious result, bringing forth efficiency and mutual give and take. Rights and responsibilities stemming from legislation and the Collective Bargaining Agreement will be relentlessly pursued.

Reports have been prepared based on observations and analysis made at workplaces regarding **occupational health and safety issues**. Various deficiencies and related measures required to be taken have been suggested and carried out. Evaluations regarding periodical inspections made at health units, have continued. The current topics on health have been evaluated at meetings held with workplace doctors and health personnel. Statistical studies, regarding workplace accidents, were continued, the reasons of the accidents were examined and measures have been taken to prevent reoccurrence.

Financial Resources and Risk Management

In meeting its financing needs, the Group initially resorts to the existing revenues (cash flows) of its companies.

Since the Group strives to minimize the costs of the funds supplied from financial markets and to adequately utilize idle resources, liquidity and financial costs remain at minimum levels while there is no need to use financial techniques for risk prevention or risk reduction. **The foreign currency position and receivables are always sufficient and able to meet foreign currency denominated liabilities.**

In order to meet the operational needs and other liabilities, the Group uses TL-denominated export credits from **Eximbank** and local/international FX-denominated export credits of a maximum one-year term via its foreign trade companies after careful assessments and planning.

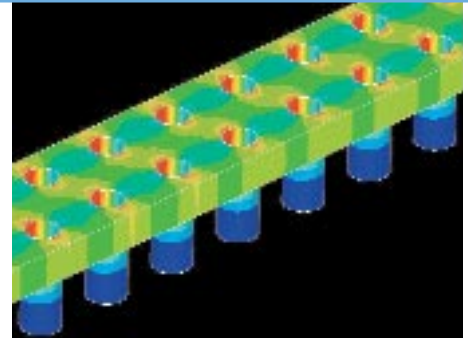
The Group strictly abides by the principle that at least 50% of **investment expenses** shall be covered with shareholders' equity or funds of equity nature.

In other words, all liabilities of the Group consist of long-term international investment credits, short-term export credits and short-term Eximbank credits. According to the consolidated accounts of the Group, **the rate of credits to consolidated net sales was 27% while the rate of liquid assets to total credits was recorded at 36%** as of year-end 2003.

Given the Group realized a total investment spending of USD 280 million including the portfolio investments, **it appears that the majority of funds were supplied via shareholders' equity and that significant importance was attached to liquidity.**

Although all credits, except for Eximbank credits, consist of FX-denominated international credits, which imply a high exchange rate risk at first glance; this risk is eliminated to a large extent since the liquidity is based on foreign currency and there are sufficient liquid assets with two months' export receivables to cover all debts. FX-denominated receivables and liquid assets are maintained at adequate levels to meet the entire foreign currency liabilities whereas the Group also pays attention to meeting TL-denominated debts with TL revenues and thus, a sufficient amount of TL-denominated liquid assets are kept ready for covering these liabilities.

Activities toward developing new products and production methods, to further increase the competitive strength in the global markets were accelerated.



Numerical modeling of glass-forming in glass fiber production; distribution of electrical current in the bushing.

Research and Technology

In 2002, Şişecam had accomplished the highest number of furnace designs and projects with 13 furnaces as part of the efforts for development and maintenance investments. This figure increased even more in 2003 with the number of furnaces, which were designed in various sizes and locations, installed in new facilities or subjected to cold repair, amounting to 15.

During these years, when the "**Vital Geographical Region**" statement has been actually realized, the number of overseas furnace investments of Şişecam equalled almost to one third of the total new furnaces.

The changing dynamics of the Group, which has been reshaped as it has become more global, indicate a need for innovation in all fields from technology to human resources, marketing to production planning while Şişecam's technological expertise has been undergoing a significant transformation process accordingly. Leaning on a long and firm national foundation, Şişecam successfully carries its production and product technologies to different geographies.

With this unique "**technology transfer**", efficiency, quality, research and development skills, scientific data accumulated at central units, engineering know-how and management processes regarding support services, have been reflected successfully on all levels of production.

This process accelerated development studies of products and production technologies which will further strengthen the competitive edge in international markets through increasing productivity, reducing costs and improving quality. Utilization of **numerical modeling** in furnace design has become routine. This technique has continued to act as an efficiency increasing tool, allowing for analyzing the production process with all related physical parameters and improvement measures in the virtual environment.

The competency in **surface coating technologies** together with the developments in on-line and off-line coatings and wet methods have been transformed into new products. There has been particular emphasis on the transition process from R&D to production. In 2003, color and

coloring - important value added elements especially in glass packaging and glassware - continued to be an area of priority for the Group.

Production of the pyrolytic coating product, marketed under the trade name **Tentesol**, an original hi-tech product, continued also in 2003 while the studies for developing transparent, **reflective solar control and heat control (low-e) glasses** with the same technology are underway.

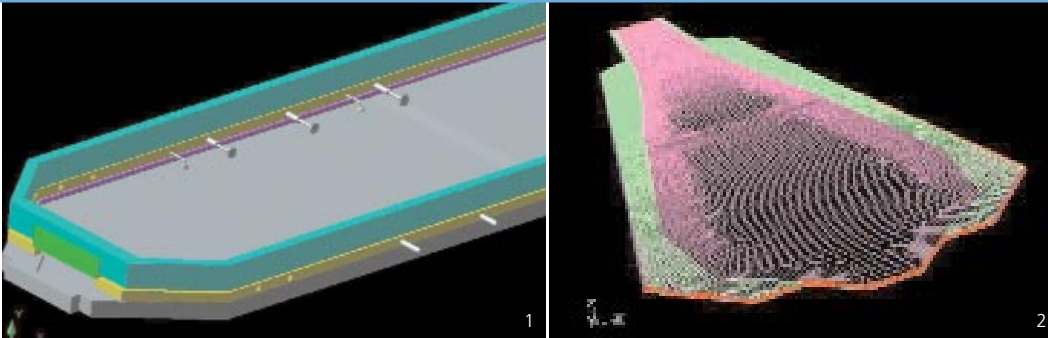
As a result of performance-enhancing studies for existing low-e products, made of coated glass produced through **vacuum technology**, the optical performance and heat insulation characteristics of the existing low-e products have been improved through a revision of coating compositions.

As for **nanotechnology**, particularly with the use of wet coating methods, studies on "photocatalytic", anti-microbial, hydrophilic/hydrophobic, "electrochromic", "organo-electrolytic" films have continued. Research on coatings with self-cleaning, anti-condensing, hygienic, electricity-producing, providing controlled color-change and transparent,

R&D activities on an international-scale ensure that Şişecam will remain a competitive global company in the future as it is today.

Advanced analytical techniques are the basis for a sound R&D capacity.





Numerical modeling of glass forming in flat glass: 1. 3D drawing of the tin bath 2. Glass strip in numerical modeling. Numerical modeling is extensively used as a significant tool for increasing efficiency in the forming processes.

heatable features are carried out as well as films with no heavy metals of myriad of colors whether opaque or transparent.

The central R&D capability with experience in all the sectors of glass production provides technical analytical support and troubleshooting service, innovation in glass composition for functional and highly attractive colors, increasing the mechanical resistance of glass and further developing secure usage. **The Glass Research Center** as well as **Regional Laboratories** which in the past years received National Accreditation, have escalated this process to international accreditation through TÜRKAK, the recently formed **Turkish Accreditation Institution**. Additionally, the necessary preparations have been initiated for the **CE certification** which will be made mandatory as of 2006 in exporting glass products used as construction materials.

Şişecam aims to develop a competitive advantage and to this end, strives to improve glass science and technology. As a natural extension of these efforts, the Group continues to reflect the synergy stemming from its executive-level attendance at national and international research institutions and at scientific and technological platforms established upon pre-competitive industrial research, on products and production processes.

Information Technologies and Communication

In addition to transforming the potential power of having the most advanced information technologies of today into savings on time and

manpower; Şişecam pursues an **IT strategy**, oriented to create added value.

All innovations and opportunities of primary importance in computer technology are followed by expert meetings, industry initiatives and workshops and implemented based on a balance of total utility. In 2003, new business applications modeling was based on the extensive means of communication provided by **Internet technologies** as in previous years, and achieving conformity with the Web environment was prioritized in technology updating studies.

2003 has been marked by integration of computer and communication technologies, an emphasis on open system approach in software and hardware and **new alternatives with regard to data, voice and image transmission**. The capabilities of conventional tools of correspondence and communication have been improved with studies carried out during last year. **Integration skills** with new tools such as e-mail, voice recording, fax, sms, instant messaging and video conferencing have been bettered. Possibilities have been developed for communication and access to applications without any limitations in terms of time and location. **The integration in data, voice and image transmission has led to rational use of hardware** integrated at centers, which are established in accordance with the geographical distribution of the Group companies as well as system security and saving on resources.

Through **the emphasis of an open system** for software and hardware, application standards within the Group

was reviewed and thus, it was possible to reduce the total costs of owning software and hardware.

To provide for the security of the data located, processed and transmitted via computer and communication systems of the Group, various **application procedures** and systematic solutions have been developed. The rights and authorization of the employees regarding computer and communication systems and the operation of the infrastructure have been administered together.

Engineers and technicians, deployed in accordance with the geographical distribution of the Group companies provided maintenance, repairment, user support and consulting services to the users of the computer and communication systems via a call center system.

The Group actively co-operated with non-governmental organizations in their efforts toward establishing a general public awareness on computers and communication and contributing to the development of laws and regulations.



Advanced information systems not only enhance individual performance but also improve collective productivity.

Şişecam believes in the need to maintain the world as a livable place for future generations.

Environment

As an organization that respects environmental values and a leader in its business fields, Şişecam deems it necessary to leave a livable world for future generations.

To this end, it aims to minimize harmful environmental effects in all of its production facilities, ensure the health and safety of its employees at its workplaces and continuously improve in these areas.

The Environmental Policy of Şişecam is based on the assertion that environmental protection is one of the fundamental elements of strategic management. The Group foresees that this principle shall be observed in each phase of ongoing and future operations. Reduction of the negative environmental effects of production at their source or through refinement of technologies, controlling emissions, efficient use of energy, evaluation of alternatives for fuel and raw material,

reducing the use of water and other natural resources, taking the necessary measures for employee health and safety are considered as indispensable factors of all business processes from design to product assessment.

Furthermore, refinement of waste water used for industrial or domestic purposes, disposal of gas, solid and hazardous waste, and operation and improvement of existing refinement facilities are always handled in view of this principle. The prevention of pollution at its source and recycling of used materials are promoted.

While this policy is handled in all Group companies within the framework of national environmental regulations, international practices and developments such as the European Union Legislation, the World Bank criteria are noted while competitiveness and capabilities of the companies are protected. National and international legislation and the relevant updates/amendments are continuously watched and the issues which bear importance to the sectors are referred to the related parties.

Activities on environment, employee health and safety, carried out at every production stage and throughout the Group, are principally based on the participation of all individuals. The studies undertaken as part of the project titled "Integration of the Environmental Management System with the Group", are coordinated by the "Environmental Management System Managers" of the Businesses and the "Environmental Executives" at production facilities. Technical and

analytical support required in the established action plans are provided by the central "Environmental Group". It is foreseen that the studies on the "Environmental Management System" set-up studies will be completed by the end of 2004 and the ISO 14001 quality standards will be applied in all facilities.

The effects of Şişecam's production facilities upon the environment, and performances of work security and employee health are measured periodically via advanced measurement techniques for chimney gases, air quality at the workplace and the production site, sound and noise levels. The accumulated values of the emissions from the facilities in terms of the air quality are specified and monitored through modeling studies.

In order to reduce the harmful environmental effects, three industrial waste water refinement facility investments were realized in 2003, two of which were established to replace the existing facilities. The construction of two chimney-refinement facilities continues and the units are planned to become operational in the first half of 2004. The total cost of these investments alone will be approximately USD 4.2 million.



Şişecam

Environmental Policy

Şişecam, as an organization aware of its responsibility towards the protection of environment, believes in the need to maintain the world as a livable place for future generations. This approach is considered as one of the pillars of Şişecam's strategic management and is integrated in every phase of its work processes. Our aim is to carry out all the environmental protection activities at Şişecam within a framework of an environmental management system and continuously improve the system with the support of all our employees.



A. DOĞAN ARIKAN
PRESIDENT

Şişecam Research Center's "Mobile Environment Laboratory" is equipped such that it is capable of conducting all environment-related measurements.



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

**Consolidated Financial Statements
for the Years Ended 31 December 2003 and 2002
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 2003, 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 2003. 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 in accordance with International Accounting Standard No. 39 "Financial Instruments: Recognition and Measurement". 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 if any 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 2003, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.
5. Without qualifying our opinion, we draw attention to the followings:
As explained in detail in footnote 2, as of 31 December 2003, the Group has decided to prepare and issue its financial statements in accordance with International Financial Reporting Standards. Consequently the companies which choose to early adopt Turkish Capital Market Board Bulletin XI No: 25 or IFRS are not required to report in accordance with CMB Bulletins XI No: 1, XI No: 20 and XI No: 21.
As of the report date, the Group maintains its works on profit distribution in accordance with the memorandum of CMB dated 11 March 2004 and No: OFD/439-4290 and other CMB bulletins and announcements.



DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member firm of DELOITTE TOUCHE TOHMATSU

Hüseyin Güner
Partner
İstanbul 22 April 2004

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

Consolidated Balance Sheets as at 31 December 2003 and 2002

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003.)

ASSETS	Note	(As restated)	
		31 December 2003	31 December 2002
Current Assets			
Cash and banks	4	173,914,831	119,212,468
Held for trading investments	5	611,788	8,291,482
Trade receivables (net)	6	286,209,972	298,589,454
Due from related parties	7	666,912	6,674,578
Inventories (net)	8	311,288,988	310,073,372
Other receivables and current assets (net)	9	44,049,154	51,271,917
Total Current Assets		816,741,645	794,113,271
Long Term Assets			
Investments (net)	10	343,511,835	367,299,188
Positive goodwill (net)	11	20,344,796	22,626,454
Negative goodwill (net)	12	(164,101,948)	(11,798,055)
Property, plant and equipment (net)	13	2,038,698,352	2,086,689,446
Intangible assets (net)	14	5,188,929	5,678,079
Other receivables and long term assets	15	6,780,530	6,546,473
Total Long Term Assets		2,250,422,494	2,477,041,585
Total Assets		3,067,164,139	3,271,154,856

The financial statements of the Group as of 31 December 2003 were approved by the Board of Directors on 22 April 2004 and Finance Assistant General Manager Ahmet Faruk Polatkan and Headquarter Accounting Manager Mükremin Şimşek were authorized to sign the financial statements.

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 2003 and 2002

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003.)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	(As restated)	
		31 December 2003	31 December 2002
Current Liabilities			
Short term borrowings	16	255,073,893	334,137,241
Trade payables (net)	17	90,069,929	101,288,752
Due to related parties	7	4,573,707	3,729,171
Advances received		5,584,369	11,594,724
Other payables and current liabilities	18	56,547,860	38,126,449
Corporate tax payable	19	35,203,969	36,332,978
Total Current Liabilities		447,053,727	525,209,315
Long Term Liabilities			
Long term borrowings	16	227,220,910	142,171,623
Other long term liabilities	17	37,070	3,117,558
Retirement pay provision	20	106,394,505	102,877,494
Deferred tax liabilities (net)	19	169,285,137	244,931,781
Total Long Term Liabilities		502,937,622	493,098,456
Total Liabilities		949,991,349	1,018,307,771
Minority Interest			
Capital and reserves		464,091,649	725,815,251
Period profit		63,147,773	89,107,100
Total Minority Interest	21	527,239,422	814,922,351
Shareholders' Equity			
Capital	23	285,000,000	285,000,000
Adjustments to capital	23	86,202,375	86,202,375
Premium in excess of par	23	4,416,280	4,416,280
Legal reserves	23	173,596,652	164,029,631
Translation reserves		642,701	1,881,127
Investments revaluation reserves		10,524,720	32,571,537
Retained earnings		854,256,763	763,641,775
Net period profit		175,293,877	100,182,009
Total Shareholders' Equity		1,589,933,368	1,437,924,734
Total Liabilities and Shareholders' Equity		3,067,164,139	3,271,154,856

Commitments and contingencies

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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 2003 and 2002
(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003.)

	Note	2003	(As restated) 2002
Net sales	24	1,812,026,438	1,958,327,360
Cost of sales	25	(1,171,893,322)	(1,229,788,114)
Gross profit		640,133,116	728,539,246
Operating expenses	26	(371,480,476)	(410,872,326)
Operating profit		268,652,640	317,666,920
Finance income/(expenses) (net)	27	10,654,149	(38,737,253)
Other expenses (net)	28	(47,668,653)	(38,749,549)
Monetary gain		35,461,482	73,624,662
Profit before taxation and minority interest		267,099,618	313,804,780
Taxation			
- current tax expense	19	(73,522,907)	(71,035,701)
- deferred tax benefit/(charge)	19	44,864,939	(53,479,970)
Profit before minority interest		238,441,650	189,289,109
Minority interest	21	(63,147,773)	(89,107,100)
Net profit		175,293,877	100,182,009
Earnings per share (TL) (*)	3.y	615	363

(*) The value of each nominal share is 500 TL and earnings per share calculation was performed considering each nominal share as 1,000 TL.

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 2003 And 2002

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003.)

	Capital	Adjustments to Capital	Premium in Excess of Par	Legal Reserves	Translation Reserves	Investments Revaluation Reserves	Revaluation Reserves	Retained Earnings	Total
As previously reported	84,106,000	185,806,447	2,186,555	-	3,287,238	998,135	270,316,942	895,949,572	1,442,650,889
Restatement effect	-	1,222,048	2,229,725	156,097,378	(2,390,083)	(97,322)	(270,316,942)	(124,375,544)	(237,630,740)
Balance as of 1 January 2002, as restated	84,106,000	187,028,495	4,416,280	156,097,378	897,155	900,813	-	771,574,028	1,205,020,149
Cash increase in share capital	65,890,000	34,177,880	-	-	-	-	-	-	100,067,880
Non-cash increase in share capital	135,004,000	(135,004,000)	-	-	-	-	-	-	-
Increase in fair value of available for sale investments	-	-	-	-	-	31,670,724	-	-	31,670,724
Exchange differences on foreign operations	-	-	-	-	983,972	-	-	-	983,972
Legal reserves	-	-	-	7,932,253	-	-	-	(7,932,253)	-
Net profit for the year	-	-	-	-	-	-	-	100,182,009	100,182,009
Balance as of 31 December 2002	285,000,000	86,202,375	4,416,280	164,029,631	1,881,127	32,571,537	-	863,823,784	1,437,924,734
Decrease in fair value of available for sale investments	-	-	-	-	-	(22,046,817)	-	-	(22,046,817)
Exchange differences on foreign operations	-	-	-	-	(1,238,426)	-	-	-	(1,238,426)
Legal reserves	-	-	-	10,511,662	-	-	-	(10,511,662)	-
Effect of disposal of subsidiary	-	-	-	(944,641)	-	-	-	944,641	-
Net profit for the year	-	-	-	-	-	-	-	175,293,877	175,293,877
Balance as of 31 December 2003	285,000,000	86,202,375	4,416,280	173,596,652	642,701	10,524,720	-	1,029,550,640	1,589,933,368

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

Türkiye Şişe ve Cam Fabrikaları A.Ş. and its Subsidiaries
Consolidated Statement of Cash Flows
for the Years Ended 31 December 2003 and 2002

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003.)

	Note	2003	(As restated) 2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the year		175,293,877	100,182,009
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation of property, plant and equipment	13	210,127,846	204,248,538
Amortization of intangible assets	14	964,161	988,487
Negative goodwill released to income	11-12	(4,061,743)	(1,385,442)
Accrued exchange losses and interest on borrowings		7,384,778	11,789,717
Provision for retirement pay	20	11,025,948	16,600,311
Allowance for doubtful receivables	6	2,301,436	(4,130,930)
Allowance for diminution in value of inventories	8	(2,371,131)	691,479
Minority interest	21	63,147,773	89,107,100
Accrued taxation net of monetary gain / (loss)	19	(2,123,713)	64,107,613
Operating cash flow provided before changes in working capital		461,689,232	482,198,882
Changes in working capital	30	23,629,007	72,229,099
Cash generated from operations		485,318,239	554,427,981
Corporate taxes paid	19	(74,651,920)	(77,428,785)
Retirement benefits paid	20	(7,508,937)	(15,488,189)
Net cash provided by operating activities		403,157,382	461,511,007
CASH FLOWS FROM INVESTING ACTIVITIES			
Changes in held for trading investments (net)	5	7,679,694	13,933,424
Changes in investments	10	23,787,353	(34,728,568)
Goodwill recognized during the year	12	158,647,294	(22,132,839)
Purchases of property, plant and equipment	13	(217,762,403)	(299,537,499)
Purchases of intangible assets	14	(614,155)	(662,788)
Net book value of property, plant and equipment disposed	13	55,625,651	50,571,859
Net book value of intangible fixed assets disposed	14	139,144	1,061,310
Changes in fair value of available for sale investments		(22,046,817)	31,670,724
Exchange differences on foreign operations		(1,238,426)	983,972
Changes in other investing activities	31	(287,096)	(10,734,087)
Net cash provided by/(used in) investing activities		3,930,239	(269,574,492)
CASH FLOWS FROM FINANCING ACTIVITIES			
Changes in borrowings (net)		(1,554,556)	(30,932,097)
Increase in capital and premium in excess of par		-	100,067,880
Changes in minority interests (net)	21	(350,830,702)	(203,779,711)
Net cash used in financing activities		(352,385,258)	(134,643,928)
NET CHANGES IN CASH AND BANKS		54,702,363	57,292,587
CASH AND BANKS AT THE BEGINNING OF YEAR		119,212,468	61,919,881
Cash and banks at the end of year		173,914,831	119,212,468

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 2003 and 2002

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003.)

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 31 companies and 2 joint ventures in which the Company owns a majority shareholding and/or effectively controls their management.

The Group employing 12,717 people as of 31 December 2003 (2002: 12,121) was established 68 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 18 years. As of the balance sheet date, İş Bankası owns 66.106% 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 production	Bulgaria	Flat glass
Trakya Cam Investment B.V.	Financing and holding company	Netherlands	Flat glass
Çayırova Cam Sanayii A.Ş.	Patterned and coated glass production and sales	Turkey	Flat glass
Camtaş Düzcam Pazarlama A.Ş.	Flat glass and processed glass 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 Sanayii 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
Anadolu Cam Sanayii A.Ş. (*)	Glass packaging production and sales	Turkey	Glass packaging
S.S. Mina Ksani Cam Ambalaj Fabrikası	Glass packaging production and sales	Georgia	Glass packaging
Ruscam Ltd.	Glass packaging production and sales	Russia	Glass packaging
Camiş Makina ve Kalıp Sanayii A.Ş.	Glass moulds and machinery production and sales	Turkey	Glass packaging
Ferro Döküm Sanayii ve Tic. A.Ş.	Nodular and gray iron castings production and sales	Turkey	Glass packaging
Cam Ambalaj Pazarlama A.Ş.	Glass packaging sales	Turkey	Glass packaging
Cam Ürünleri İşleme San. ve Tic. A.Ş.	Processing of glass products	Turkey	Glass packaging
Anadolu Cam Investment B.V.	Financing and holding 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
Madencilik San. ve Tic. A.Ş.	Glass raw materials production and sales	Turkey	Chemicals
Camiş Egypt Mining Ltd. Co.	Sand supplier	Egypt	Chemicals
Camiş Elektrik Üret. Otopr. Gr. A.Ş.	Electricity production	Turkey	Chemicals
Camsar San. Ara Mal. Paz. A.Ş.	Chemicals sales	Turkey	Chemicals
Cam Pazarlama A.Ş.	Export company of the group	Turkey	Other
Camiş Lojistik Hizmetleri ve Tic. A.Ş. (*)	Logistic services	Turkey	Other
Camiş Ltd.	Foreign purchasing services	England	Other
Camiş Menkul Değerler A.Ş.	Securities trading	Turkey	Other
Camiş Sigorta Hizmetleri A.Ş.	Insurance agency services	Turkey	Other

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

Company name	2003		2002	
	Proportion of direct ownership %	Proportion of effective interest %	Proportion of direct ownership %	Proportion of effective interest %
Trakya Cam Sanayii A.Ş.	65.95	65.43	50.00	49.31
Trakya Glass Bulgaria EAD.	100.00	65.43	-	-
Trakya Cam Investment B.V.	100.00	65.43	-	-
Çayırova Cam Sanayii A.Ş.	68.40	52.40	68.40	47.31
Camtaş Düzcamlar Pazarlama A.Ş. (*)	-	-	99.36	87.54
Paşabahçe Cam Sanayii ve Tic. A.Ş.	99.36	89.99	99.36	85.97
Paşabahçe Eskişehir Cam. San. ve Tic. A.Ş.	100.00	87.91	100.00	92.85
Denizli Cam Sanayii ve Tic. A.Ş.	51.00	40.72	51.00	35.25
Camiş Ambalaj Sanayii A.Ş.	100.00	93.88	95.58	89.16
Paşabahçe Mağazaları A.Ş.	100.00	65.65	99.99	62.18
Anadolu Cam Sanayii A.Ş.	79.81	78.41	46.65	45.13
S.S. Mina Ksani Cam Ambalaj Fabrikası	80.64	63.23	80.64	70.11
Ruscamlar Ltd.	99.74	40.55	99.74	23.34
Ferro Döküm Sanayii ve Tic. A.Ş.	100.00	70.90	99.99	80.04
Camiş Makina ve Kalıp Sanayii A.Ş. (**)	-	-	100.00	57.24
Cam Ambalaj Pazarlama A.Ş. (**)	-	-	100.00	65.58
Cam Ürünleri İşleme San. ve Tic. A.Ş.	100.00	89.99	100.00	86.21
Anadolu Cam Investment B.V.	51.85	40.66	51.85	23.40
Soda Sanayii A.Ş.	84.92	75.02	51.28	51.20
Şişecam Bulgaria Ltd.	100.00	75.02	100.00	51.20
Cam Elyaf Sanayii A.Ş.	98.35	74.15	98.15	69.50
Camiş Madencilik A.Ş.	21.54	16.88	21.54	15.87
Madencilik San. ve Tic. A.Ş.	100.00	89.96	100.00	95.99
Camiş Egypt Mining Ltd. Co.	99.70	16.83	99.70	15.83
Camiş Elektrik Üret. Otopr. Gr. A.Ş.	100.00	69.17	100.00	54.05
Camsar San. Ara. Mal Paz. A.Ş. (*)	-	-	100.00	99.38
Cam Pazarlama A.Ş.	99.66	91.98	99.95	92.31
Camiş Lojistik Hizmetleri ve Tic. A.Ş.	69.58	28.74	69.58	28.80
Camiş Limited	100.00	94.59	100.00	93.48
Camiş Menkul Değerler A.Ş. (***)	-	-	100.00	75.47
Camiş Sigorta Hizmetleri A.Ş.	100.00	84.51	100.00	82.56

(*) These companies merged with Cam Pazarlama A.Ş. in 2003

(**) These companies merged with Ferro Döküm San. ve Tic. A.Ş. in 2003

(***) The shares of Camiş Menkul Değerler A.Ş. have been sold to İş Yatırım Menkul Değerler A.Ş. in 2003

Joint ventures

The Group has two 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	2003		2002	
				Proportion of direct ownership %	Proportion of effective interest %	Proportion of direct ownership %	Proportion of effective interest %
Omco İstanbul Kalıp San. ve Tic. A.Ş.	Glass moulds production and sales	Turkey	Glass packaging	50.00	50.00	50.00	50.00
Oxyvit Kimya San. ve Tic. A.Ş.	Vitamin K production and sales	Turkey	Chemicals	50.00	50.00	50.00	50.00

Significant events during the year

Turkish economy showed a positive trend performing above expectations in the second consecutive year after the crisis. The Group accomplished a high performance and growth in 2003. The annual inflation, 13.9% CPI and 18.4 WPI, were below expectations. Turkish Lira appreciated against USD throughout the year and appreciated 14.6% annually. The annual depreciation against Euro was 2.4%. In line with those indicators, in accordance with the implications of inflation accounting, 31 December 2002 net sales amount of 1,718,699,462 Million TL was multiplied by 13.9% in order to express the amount at 2003 price level and restated to 1,958,327,360 Million TL. Domestic sales and exports in foreign currency terms presented a decrease in sales figures compared to 2002 due to the appreciation of TL against USD by 14.6% and depreciation of TL against Euro by 2.4% although, sales of Group has improved both in terms of volume and revenue.

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. The accompanying consolidated 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 Group has decided to prepare and issue its consolidated financial statements in accordance with IFRS. Consequently the companies which choose to early adopt Turkish Capital Market Board Bulletin XI No: 25 or IFRS are not required to report in accordance with CMB Bulletins XI No: 1, XI No: 20 and XI No: 21.

Principles in preparation of the accompanying financial statements are noted below and note 3.

Inflation accounting

Restatement adjustments have been made to the financial statements of the Company and its Turkish subsidiaries to compensate for the effect of changes in the general purchasing power of the Turkish Lira, as of the balance sheet date, 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 exceeded 181% for the three years ended 31 December 2003 based on the wholesale price index announced by the Turkish State Institute of Statistics ("SIS").

The restatement was calculated by means of conversion factors derived from the Capital Market Board's price index published by Bulletin series: XI, No: 20. Such index and the conversion factors used to restate the accompanying consolidated financial statements as of the end of each year to 31 December 2003 are given below:

	Index	Conversion factor
31 December 2000	2,626.0	2.8112
31 December 2001	4,951.7	1.4908
31 December 2002	6,478.8	1.1394
31 December 2003	7,382.1	1.0000

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

Year	2003	2002	2001	2000
Currency deflation USD – (%)	(14.6)	13.5	114.3	24.4
Currency deflation Euro – (%)	2.4	34.3	105.0	-
WPI inflation – (%)	13.9	30.8	88.6	32.7

At 31 December 2003 the exchange rate announced by the Turkish Central Bank (which is a market rate) was TL 1,395,835 = USD 1. (31 December 2002: 1,634,501)

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.

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 accounted 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 recognized in the statement of income. The carrying amount of such investments is reduced to recognize any decline, other than a temporary decline, in the value of individual investments.

In accordance with IAS 21 "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.

Prior year adjustments

In the current period, due to new regulations of the Capital Market Board and changes in Tax Procedure Code, the Group has reviewed the records related with the inflation accounting which are the basis of the financial statements in accordance with IFRS and as a result some adjustments have been made. The details of the adjustments are set out in note 34.

Changes in accounting policies

In previous years the Company was carrying the value of land, land improvements and buildings at fair value based on expert valuation. Because of disasters, economic crisis and political instability it was observed that there could be important deviations between years. Accordingly, instead of fair value, land, land improvements and building values have been determined at 31 December 2003 by deducting accumulated depreciation and provisions for diminution in value from indexed acquisition cost

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. Trading and 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:

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 subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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

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

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

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

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

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 Turkish Lira) are translated into 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 commission and excluding sales taxes. 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 banks

Cash and banks 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 bank balances: 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 time deposits with banks, government bonds and treasury bills for short term purposes.

Price risk

The Group is exposed to exchange rate fluctuations between foreign currencies and 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 straight-line method over 7 to 20 years. The goodwill is reviewed every year and when necessary permanent diminutions in value are recorded as impairment loss.

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.

u. Dividends

The Company decided to prepare its consolidated financial statement in accordance with IFRS as referred in the Capital Market Board Bulletin XI, No: 25 in line with Capital Market Law No: 2499.

In line with the article of CMB dated 11 March 2004 and No: OFD/439-4290, the profit to be distributed will be calculated considering the share of the Group from the profit of subsidiaries and joint ventures, that is to be submitted to General Assembly for approval.

v. Segmental information

For management purposes, the Group is currently organized into five operating businesses; flat glass, glassware, glass packaging, chemicals and other including import, export, insurance agency and investment agency. These divisions are the basis of on which the Group reports its primary segment information (see note 29).

y. Earnings per share

As required by IAS 33, the calculation of basic earnings per share for 2002 and 2003 has been calculated including the impact of bonus shares issued in 2003. During 2003 and 2002, there were no dilutive equity instruments outstanding, which would require the calculation of a separate diluted earnings per share.

A summary of the weighted average number of shares outstanding during 2003 and 2002 and the basic earnings per share calculation is as follows:

	2003	2002
Number of shares outstanding at 1 January (in full)	285,000,000,000	84,106,000,000
Bonus shares issued		
- By transfer of the revaluation fund	-	135,004,000,000
- New shares issued (cash increase)	-	65,890,000,000
Number of shares outstanding at 31 December (in full)	285,000,000,000	285,000,000,000
Weighted average number of shares outstanding during the year (in full)	285,000,000,000	276,154,493,150
Net profit (Million TL)	175,293,877	100,182,009
Basic earnings per share (TL) (*)	615	363

(*) The value of each nominal share is 500 TL and earnings per share calculation was performed considering each nominal share as 1,000 TL.

4. Cash and banks

	31 December 2003	31 December 2002
Cash on hand	169,891	224,466
Demand deposits	22,763,453	67,060,797
Time deposits	149,213,171	43,896,308
Payment orders given	29,007	-
Other liquid assets	1,739,309	8,030,897
	173,914,831	119,212,468

Time Deposits

Currency	Interest Rate (%)	Maturity	31 December 2003	31 December 2002
EUR	3.0-5.0	January-December 2004	94,309,656	1,231,717
TL	20.60	January 2004	31,781,289	34,805,984
USD	2.75-5.00	January-March 2004	22,719,962	7,858,607
Bulgarian Leva	3.75	January 2004	402,264	-
			149,213,171	43,896,308

5. Held for trading investments

	31 December 2003	31 December 2002
Equity shares	28,778	14,812
Investment funds	198,313	362,336
Government bonds and treasury bills	311,281	109,385
Repurchase agreements	-	7,756,059
Other investments	73,416	48,890
	611,788	8,291,482

Government bonds	Nominal value	Maturity	TL Million
31 December 2003	316,735	January 2004	311,281
31 December 2002	123,936	April - December 2003	109,385

6. Trade receivables (net)

	31 December 2003	31 December 2002
Trade receivables	263,826,700	278,215,476
Notes receivable	26,832,661	22,633,391
Discount on receivables	(4,998,483)	(2,915,498)
Deposits and guarantees given	232,427	114,199
Other trade receivables	251,114	505,494
Doubtful trade receivables	10,362,541	8,031,944
Allowance for doubtful receivables	(10,296,988)	(7,995,552)
	286,209,972	298,589,454

The average credit period taken on sale of goods is 57 days (2002: 57 days). An allowance has been made for estimated irrecoverable amounts. This allowance has been determined by reference to past default experience. Movements in the allowance for doubtful receivables during 2003 and 2002 are as follows:

	2003	2002
Balance at 1 January	(7,995,552)	(12,126,482)
Charge for the year	(3,627,877)	(276,043)
Collections	114,993	1,548,190
Monetary gain	1,211,448	2,858,783
Balance at 31 December	(10,296,988)	(7,995,552)

Notes receivables are discounted at real interest rate and their maturity composition is as follows:

	31 December 2003	31 December 2002
Within 30 days	16,515,715	12,104,053
Within 31-60 days	7,214,724	8,560,747
Within 61-90 days	2,385,244	1,486,552
Within 91-120 days	643,844	250,545
121 days and thereafter	73,134	231,494
	26,832,661	22,633,391

The Group holds the following collaterals for the trade receivables:

	31 December 2003	31 December 2002
Letters of guarantee	47,274,165	71,597,666
Notes and bills	5,310,039	8,929,606
Mortgages	9,229,987	17,125,259
Others	-	4,940,834
	61,814,191	102,593,365

7. Balances with related parties

	31 December 2003	31 December 2002
Deposits at İş Bankası		
Demand deposit	19,816,544	64,478,862
Time deposit	148,634,985	43,784,645
	168,451,529	108,263,507
Loans received from İş Bankası	35,638,546	26,131,549
Due from related parties		
Şişecam Glass Marketing Ltd.	-	6,542,405
Şişecam Shangai Trade Co. Ltd.	9,231	-
İstanbul Porselen Sanayii A.Ş.	-	132,173
Paşabahçe USA Inc.	238,931	-
Paşabahçe Investment B.V.	418,750	-
	666,912	6,674,578
Due to related parties		
Anadolu Anonim Türk Sigorta A.Ş.	2,242,906	2,569,401
İstanbul Porselen Sanayii A.Ş.	2,174,961	1,156,515
Dividend not demanded by the shareholders	137,155	-
Other	18,685	3,255
	4,573,707	3,729,171
	2003	2002
Interest income from related parties		
İş Bankası	674,770	11,546,922
Şişecam Glass Marketing Ltd.	-	154,961
Paşabahçe Glass GmbH	-	108,246
İstanbul Porselen Sanayii A.Ş.	410	-
Mepa Merkezi Pazarlama A.Ş.	107	1,139
İş Portföy Yönetimi A.Ş.	30	-
	675,317	11,811,268
Interest expense from related parties		
İş Bankası	107,905	4,539,465
İstanbul Porselen Sanayii A.Ş.	269,282	386,265
Mepa Merkezi Pazarlama A.Ş.	3,901	-
	381,088	4,925,730
Other income from related parties		
İş Finansal Kiralama A.Ş.	-	4,557
Camiş Yatırım Holding A.Ş.	847	-
	847	4,557
Other expense from related parties		
İş Bankası	-	1,475,554
İş Yatırım Menkul Değerler A.Ş.	5,250	12,533
Mepa Merkezi Pazarlama A.Ş.	-	2,279
	5,250	1,490,366

8. Inventories (net)

	31 December 2003	31 December 2002
Raw materials	76,729,810	71,931,686
Work in process	14,484,635	16,536,581
Finished goods	185,836,265	184,520,857
Trade goods	12,459,397	15,388,181
Order advances given	14,571,510	15,958,532
Other inventories	7,520,109	8,421,404
Allowance for diminution in value of inventories	(312,738)	(2,683,869)
	311,288,988	310,073,372

Movements in the allowance for diminution in value of inventories during 2003 and 2002 are as follows:

	2003	2002
Balance at 1 January	(2,683,869)	(1,992,390)
Charge for the year	2,211,555	(1,161,584)
Monetary gain	159,576	470,105
Balance at 31 December	(312,738)	(2,683,869)

9. Other receivables and current assets (net)

	31 December 2003	31 December 2002
Due from personnel	555,871	520,259
Other doubtful receivables	244,110	278,145
Provision for doubtful receivables	(238,831)	(272,130)
Prepaid expenses	26,246,296	20,302,255
Income accruals	95,114	80,111
VAT carried forward	4,498,453	6,100,478
VAT receivable arising from export sales	6,888,358	7,825,562
Business advances given	33,766	99,130
Advances given to personnel	457,548	505,904
Sundry receivables	5,268,469	15,832,203
	44,049,154	51,271,917

10. Investments (net)

	31 December 2003	31 December 2002
Unconsolidated subsidiaries	911,414	456,334
Held to maturity investments	1,451,546	1,973,482
Available for sale investments	341,148,875	364,869,372
	343,511,835	367,299,188

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

	Share %	31 December 2003 TL	Share %	31 December 2002 TL
Şişecam China Ltd.	100.00	54,070	100.00	54,070
Mepa Merkezi Pazarlama A.Ş.	99.70	186,299	99.24	160,684
İstanbul Porselen Sanayii A.Ş.	99.87	7,534,103	99.87	7,534,103
Paşabahçe Glass GmbH	100.00	60,347	100.00	60,347
Şişecam Glass Marketing Ltd.	-	-	100.00	329,324
Topkapı Yatırım Holding A.Ş.	80.00	12,593	80.00	12,593
Paşabahçe Investment B.V.	100.00	499,200	-	-
Şişecam Shanghai Trade Co.Ltd.	100.00	285,069	-	-
Paşabahçe USA Inc.	100.00	135	-	-
		8,631,816		8,151,121
Less: Allowance for diminution in value of subsidiaries		(7,720,402)		(7,694,787)
		911,414		456,334

Şişecam China Ltd., Paşabahçe Glass GmbH, Paşabahçe Investment B.V., Paşabahçe USA Inc. 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. financial statements, were considered immaterial to the consolidated financial statements and therefore they were stated at their indexed cost in the accompanying consolidated financial statements.

Şişecam Glass Marketing Ltd. has been liquidated in 2003.

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 in them was fully written off.

Held to maturity investments

	Nominal Value	Maturity	31 December 2003 TL	31 December 2002 TL
Eurobond	USD 1,000,000	June 2010	1,451,546	1,973,482
Available for sale investments	Share %	31 December 2003 TL	Share %	31 December 2002 TL
Petrol Ofisi A.Ş. (**)	4.05	58,867,705	4.05	83,231,153
İş-Tim Telekomünikasyon Hizmetleri A.Ş. (*)	5.00	76,274,398	5.00	76,274,398
Trakya Yatırım Holding A.Ş. (***)	34.65	132,885,960	34.65	132,885,960
Solvay Şişecam Holding AG	19.13	61,518,411	19.13	61,518,411
İş Factoring Finansman Hizmetleri A.Ş.	7.83	4,943,072	7.83	4,943,413
İMKB Takas ve Saklama Bankası A.Ş.	-	-	<1	1,707,271
İş Yatırım Menkul Değerler A.Ş.	1.79	1,500,110	2.00	1,550,056
Anadolu Hayat Emeklilik Sigorta A.Ş. (**)	1.00	2,291,900	1.00	1,038,357
İş Finansal Kiralama A.Ş. (**)	2.65	1,604,779	2.65	500,073
Yatırım Finansman Yatırım Ortaklığı A.Ş. (**)	8.00	85,159	8.00	86,383
Destek Reasürans T.A.Ş.	<1	116,576	<1	116,576
Efes Holding A.Ş.	<1	88,083	<1	88,083
Kule Temizlik Gv. İnş. Tur. ve İşl. A.Ş.	-	-	<1	8,715
İş Merkezleri Yönetim ve İşletim A.Ş.	1.42	38,324	1.33	32,069
İş Gayrimenkul Yatırım Ortaklığı A.Ş. (**)	<1	26,081	<1	18,530
Camiş Yatırım Holding A.Ş.	<1	12,584	<1	12,584
İş Koray Tur.Orm. Mad. İnş. Tah. Tic. A.Ş.	<1	4,812	<1	4,812
Anadolu Turizm İnşaat Ticaret A.Ş.	<1	2,637	<1	2,985
UND Deniz Taşımacılığı A.Ş.	<1	101,971	<1	101,770
UN Gemicilik San. A.Ş.	<1	33,834	-	-
UND Denizcilik A.Ş.	3.20	183,188	3.20	183,188
UND Ro-Ro İşletmeleri A.Ş.	3.20	183,188	3.20	183,188
Kumsan Döküm Malz. San. Tic. A.Ş.	4.89	137,204	4.89	137,204
Taşel Türk Alkollü İçki ve Şarap End. Ltd.	10.00	188,595	10.00	188,595
Camser Seracılık San. ve Tic. A.Ş.	10.00	47,175	10.00	47,175
Other		13,129		8,423
		341,148,875		364,869,372

(*) İş-Tim and Aycell's assets and liabilities have been transferred to TTI İletişim ve Haberleşme Hiz. A.Ş. after the balance sheet. The Group holding in İş-Tim decreased to 0.69% from 5% upon the merger.

(**) 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, have been shown with the adjusted value.

11. Positive goodwill (net)

	Cost	Accumulated Amortization	Net
As of 1 January 2003	29,615,378	(6,988,924)	22,626,454
Amortization of goodwill		(2,281,658)	(2,281,658)
As of 31 December 2003	29,615,378	(9,270,582)	20,344,796

12. Negative goodwill (net)

	Cost	Accumulated Amortization	Net
As of 1 January 2003	(16,382,576)	4,584,521	(11,798,055)
Goodwill recognized during year from subsidiary purchases	(158,647,294)	-	(158,647,294)
Negative goodwill released to income		6,343,401	6,343,401
As of 31 December 2003	(175,029,870)	10,927,922	(164,101,948)

Goodwill recognized by acquisition of subsidiaries during the period is listed below:

	Shares purchased %	Negative goodwill TL
Trakya Cam Sanayii A.Ş. (*)	15.94	(33,253,479)
Anadolu Cam Sanayii A.Ş. (*)	33.16	(51,612,290)
Soda Sanayii A.Ş. (*)	33.64	(73,241,887)
Camiş Ambalaj Sanayii A.Ş. (*)	4.42	(539,638)
		(158,647,294)

(*) All the subsidiaries were purchased from İş Bankası.

13. Property, plant and equipment (net)

	Land Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets	CIP	Advances given	Total
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Acquisition cost

Opening balance,										
1 January 2003	54,192,636	133,528,631	585,577,652	4,133,791,558	23,923,930	179,957,672	57,889,247	79,172,279	9,113,429	5,257,147,034
Exchange differences	(2,640)	-	(4,758,598)	(9,301,084)	(123,939)	(668,334)	(145,725)	(1,741,603)	-	(16,741,923)
Additions	71,477	462,457	8,390,204	117,962,282	2,801,329	5,254,173	3,550,550	84,177,696	8,911,727	231,581,895
Disposals	(266,492)	(449,017)	(8,715,498)	(40,723,362)	(1,544,989)	(5,141,124)	(4,033,690)	(30,702,909)	(4,093,585)	(95,670,666)
Transfers from CIP	-	2,184,898	35,319,512	75,100,378	513,841	2,240,483	-	(115,359,112)	-	-
Closing balance,										
31 December 2003	53,994,981	135,726,969	615,813,272	4,276,829,772	25,570,172	181,642,870	57,260,382	15,546,351	13,931,571	5,376,316,340

Accumulated depreciation

Opening balance,										
1 January 2003	-	(43,298,150)	(154,468,976)	(2,789,724,969)	(15,120,775)	(136,289,800)	(31,554,918)	-	-	(3,170,457,588)
Exchange differences	-	-	375,770	2,417,561	48,626	40,508	39,966	-	-	2,922,431
Charge for the year	-	(3,131,841)	(12,758,935)	(177,140,157)	(2,624,818)	(8,425,124)	(6,046,971)	-	-	(210,127,846)
Disposals	-	160,472	4,444,953	28,333,685	1,514,716	3,767,281	1,823,908	-	-	40,045,015
Closing balance,										
31 December 2003	-	(46,269,519)	(162,407,188)	(2,936,113,880)	(16,182,251)	(140,907,135)	(35,738,015)	-	-	(3,337,617,988)

Net book value at

31 December 2003	53,994,981	89,457,450	453,406,084	1,340,715,892	9,387,921	40,735,735	21,522,367	15,546,351	13,931,571	2,038,698,352
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Net book value at

31 December 2002	54,192,636	90,230,481	431,108,676	1,344,066,589	8,803,155	43,667,872	26,334,329	79,172,279	9,113,429	2,086,689,446
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14. Intangible assets (net)

	Rights	Other intangible assets	Total
Acquisition cost			
Opening balance, 1 January 2003	20,512,525	3,699,326	24,211,851
Exchange differences	(11,633)	-	(11,633)
Additions	470,302	153,625	623,927
Disposals	(696,308)	(3,132)	(699,440)
Closing balance, 31 December 2003	20,274,886	3,849,819	24,124,705
Accumulated depreciation			
Opening balance, 1 January 2003	(17,567,410)	(966,362)	(18,533,772)
Exchange differences	1,861	-	1,861
Charge for the year	(753,364)	(210,797)	(964,161)
Disposals	559,889	407	560,296
Closing balance, 31 December 2003	(17,759,024)	(1,176,752)	(18,935,776)
Net Book Value, as of 31 December 2003	2,515,862	2,673,067	5,188,929
Net Book Value, as of 31 December 2002	2,945,115	2,732,964	5,678,079

15. Other receivables and long term assets

	31 December 2003	31 December 2002
Due from personnel	10,250	15,382
Prepaid expenses	6,543,241	6,261,452
Sundry long term assets and receivables	227,039	269,639
	6,780,530	6,546,473

16. Borrowings

	31 December 2003	31 December 2002
Short term bank loans	200,945,749	261,985,474
Current portion of long term loans	50,256,056	70,130,405
Other short term borrowings	3,872,088	2,021,362
Total short term borrowings	255,073,893	334,137,241
Long term portion of long term loans	226,992,170	141,720,411
Other long term borrowings	228,740	451,212
Total long term borrowings	227,220,910	142,171,623
Total borrowings	482,294,803	476,308,864

Analysis of loan repayments is as follows:

	31 December 2003	31 December 2002
Within one year	255,073,893	334,137,241
Between one to two years	61,393,230	63,712,030
Between two to three years	44,620,642	40,385,743
Between three to four years	36,482,923	17,441,163
Between four to five years	28,173,288	6,583,592
Five years and thereafter	56,550,827	14,049,095
	482,294,803	476,308,864

Short term bank loans consist of the following:

Currency Type	Interest Rate %	Foreign Currency Amount (000)		31 December 2003 TL	Interest Rate %	Currency Amount (000)	31 December 2002 TL
		Capital	Accrued Interest				
USD	Libor+1.6-1.90	68,451	972	96,902,884	Libor +1.6 - 2.5	106,048	199,782,040
EUR	Euribor+1.65-1.85	35,655	601	63,270,022	Euribor + 1.9-2.5	13,741	27,347,315
MTL	20.0-45.0	38,200,000	2,572,843	40,772,843	39.0 – 50.0	27,650,000	34,856,119
				200,945,749			
							261,985,474

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

Currency Type	Interest Rate %	Foreign Currency Amount (000)		31 December 2003 TL	Interest Rate %	Currency Amount (000)	31 December 2002 TL
		Capital	Accrued Interest				
USD	Libor+3.50-4.13	34,210	463	48,397,521	Libor+3.5-4.0	28,605	57,722,079
EUR	Euribor+3.40-3.65	-	1,008	1,758,893	Euribor+2.0-2.2	6,154	12,106,380
MTL	35.0	98,467	1,175	99,642	15-55	-	301,946
				50,256,056			
							70,130,405

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

Currency Type	Maturity	Interest Rate %	Currency Amount	31 December 2003 TL
USD	2005	Libor+3.50-4.13	29,827,446	41,634,193
USD	2006	Libor+3.50-4.13	18,440,444	25,739,817
USD	2007	Libor+3.50-4.13	12,610,444	17,602,099
USD	2008	Libor+3.50-4.13	10,825,444	15,110,534
USD	2009	Libor+3.50-4.13	8,338,222	11,638,782
USD	2010	Libor+3.50-4.13	3,818,000	5,329,298
EUR	2005	Euribor+3.40-3.65	13,591,303	23,717,802
EUR	2006	Euribor+3.40-3.65	14,019,000	24,464,164
EUR	2007	Euribor+3.40-3.65	14,019,000	24,464,164
EUR	2008	Euribor+3.40-3.65	10,685,000	18,646,094
EUR	2009	Euribor+3.40-3.65	7,284,500	12,711,977
EUR	2010	Euribor+3.40-3.65	3,400,000	5,933,246
				226,992,170

Currency Type	Maturity	Interest Rate %	Currency Amount	31 December 2002 TL
USD	2004	Libor+3.50-4.00	34,210	63,712,031
USD	2005	Libor+3.50-4.00	21,614	40,254,709
USD	2006	Libor+3.50-4.00	9,234	17,198,465
USD	2007	Libor+3.50-4.00	3,404	6,340,894
USD	2008	Libor+3.50-4.00	3,404	6,340,894
USD	2009	Libor+3.50-4.00	2,702	5,031,696
USD	2010	Libor+3.50-4.00	1,000	1,861,819
EUR	2005	Euribor+2.0-2.2	67	131,034
EUR	2006	Euribor+2.0-2.2	125	242,697
EUR	2007	Euribor+2.0-2.2	125	242,697
EUR	2008	Euribor+2.0-2.2	125	242,697
EUR	2009	Euribor+2.0-2.2	63	120,778
				141,720,411

17. Trade payables

	31 December 2003	31 December 2002
Short term trade payables	88,062,221	94,215,550
Notes payable	167,100	242,246
Discount on notes payable	(1,473,567)	(596,535)
Short term finance lease payables	2,331,144	6,015,019
Deposits and guarantees received	783,341	1,043,222
Other trade payables	199,690	369,250
	90,069,929	101,288,752
Long term finance lease payables	-	3,027,449
Long term trade payables	37,070	90,109
	37,070	3,117,558

Redemption schedule of finance lease payables included in trade payables:

	Present Value of Installment	Interest not yet Due	Total of Finance Lease Installments
Due in one year	2,331,144	53,015	2,384,159

Net carrying amount of property, plant and equipment acquired under finance lease contracts:

	31 December 2003	31 December 2002
Machinery, plant and equipment	15,558,540	16,754,090
Vehicles	216,052	666,563
	15,774,592	17,420,653

The Group has given letters of guarantee amounting to USD 3,070,000 to Türkiye Sınai Kalkınma Bankası A.Ş. with regards to the finance leases.

18. Other payables and current liabilities

	31 December 2003	31 December 2002
Due to personnel	3,366,816	4,778,096
Taxes and dues payable	19,994,383	16,393,199
Social security premiums payable	7,250,010	7,827,346
Accrued costs	1,058,223	1,443,544
Other accruals and liabilities	1,680,909	6,110,393
Provisions	23,197,519	1,573,871
	56,547,860	38,126,449

19. Taxation on income

	31 December 2003	31 December 2002
Current tax payable:		
Current corporate and income tax	73,522,907	71,035,701
Less: Prepaid taxes and funds	(38,318,938)	(34,702,723)
	35,203,969	36,332,978
Taxation:		
Current income tax	73,522,907	71,035,701
Deferred tax charge/(benefit)	(44,864,939)	53,479,970
	28,657,968	124,515,671

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.

Effective Tax Rates:

- In 2002 and prior years: 33%, being 30% corporate tax plus a 10% surcharge of funds contribution on corporate tax.
- In 2003: 30% (10% ratio of the funds contribution was abolished for 2003).
- 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 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, and to 33% for 2004.

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.

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, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies".

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 and are set out below.

Temporary differences occur between the years in which certain items of income and expense are recorded for accounting and for tax purposes. There are timing differences resulting from the restatement of inventories, property, plant and equipment (except land) and intangible fixed assets, prepaid expenses, allowances, retirement pay provision, lease payable, carry forward tax losses and investment incentive deductions.

Deferred taxation is calculated at a rate of 30% since tax rate increase to 33% has occurred in 2004. Deferred tax rate is taken as 19.8% for those investment incentive deductions transferred from 2002.

In previous years, the difference between the net book values of fixed assets in the nominal statutory books of account and their inflation adjusted net book values in the accompanying financial statements was considered as a taxable temporary difference, on which deferred tax was calculated.

The government's requirement to apply inflation accounting from 2004 onwards includes a requirement to calculate an inflation-adjusted statutory balance sheet for 31 December 2003, which will form the starting point for the new inflation accounting, and in which the uplifts from the former book values are a tax-exempt gain. Accordingly, deferred tax relating to fixed assets is now applicable only in case of different depreciation rates for statutory and IFRS purposes or other special factors, and the accompanying financial statements include a one-time adjustment to deferred tax to reflect the new rules.

	31 December 2003	31 December 2002
Temporary differences subject to deferred tax:		
Restatement of fixed assets	863,847,658	1,086,412,889
Retirement pay provision	(106,394,505)	(102,877,494)
Unused incentive	(235,802,145)	(327,985,332)
Carry forward tax losses	(100,683,132)	(118,159,800)
Restatement of inventories	(9,953,919)	23,215,628
Finance lease payable	2,364,763	(9,042,012)
Discount on trade receivables and payables	(3,006,758)	(2,891,817)
Allowance for doubtful receivables	(3,814,535)	(5,582,266)
Sundry accruals and allowances (net)	6,278,563	2,336,522
	412,835,990	545,426,318
Components of deferred tax (assets)/liabilities:		
Restatement of fixed assets	259,154,293	358,516,246
Retirement pay provision	(31,918,352)	(33,949,574)
Unused incentive	(25,306,298)	(43,294,064)
Carry forward tax losses	(30,204,940)	(38,992,734)
Restatement of inventories	(2,986,176)	7,661,157
Leasing adjustment	709,429	(2,983,864)
Discount on trade receivables and payables	(902,027)	(954,300)
Allowance for doubtful receivables	(1,144,361)	(1,842,148)
Sundry accruals and allowances (net)	1,883,569	771,062
	169,285,137	244,931,781
Movement of deferred tax liabilities:		
Opening balance at 1 January	244,931,781	251,332,082
Monetary gain	(29,100,030)	(60,263,494)
Taxation charge on deferred tax	(46,546,614)	53,863,193
Closing balance at 31 December	169,285,137	244,931,781

	31 December 2003	31 December 2002
Reconciliation of taxation:		
Profit after monetary gain before taxation	267,099,618	313,804,780
Effective tax rate	30%	33%
Expected taxation	80,129,885	103,555,577
Tax effects of:		
- nondeductible expenses	10,064,919	13,759,315
- dividends and other non-taxable income	(15,711,675)	(18,811,205)
- carry forward tax losses	3,667,262	2,076,865
- investment incentives	(4,955,886)	(27,138,424)
- monetary gain / loss not taxable / deductible	(67,896,503)	29,112,723
- consolidation adjustments	23,604,961	21,989,013
- profit of foreign subsidiaries not subject to taxation	(244,995)	(28,193)
Taxation per income statement	28,657,968	124,515,671

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 ceiling at the respective balance sheet dates, is subject to a maximum of TL 1,389,950,000 per month as of 31 December 2003 (31 December 2002: TL 1,260,150,000 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 2003 and 2002, 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 18% and a discount rate of 25%, resulting in a real discount rate of approximately 6%. Turnover rate for the Group to estimate the probability of retirement was anticipated as 0%.

	31 December 2003	31 December 2002
Provision at 1 January	102,877,494	101,765,372
Charge for the year	23,068,158	41,611,806
Benefits paid	(7,508,937)	(15,488,189)
Monetary gain	(12,042,210)	(25,011,495)
Provision at 31 December	106,394,505	102,877,494

21. Minority interest

	31 December 2003	31 December 2002
Balance at 1 January	814,922,351	929,594,962
Decrease in minority interest during the year	(313,629,038)	(155,625,152)
Dividends paid	(37,201,664)	(48,154,559)
Minority interest on operating results of the year	63,147,773	89,107,100
Balance at 31 December	527,239,422	814,922,351

22. Commitments and contingencies

	31 December 2003	31 December 2002
Letters of guarantee given	11,268,781	39,941,795
Promissory notes and collaterals given	1,746,300,662	445,983,947
Subsidiary share purchase commitment (*)	13,958,350	18,713,717
Other	3,060	-
	1,771,530,853	504,639,459

As of the balance sheet date the Group has 162,197,067 Million TL export commitments with regards to investment incentives (2002: 142,704,876 Million TL).

As of 31 December 2003, the total risk of court cases opened and pending against the Group amounts to approximately TL 7,874,563 Million (31 December 2002: TL 6,473,068 Million).

(*) In 1997 Soda San. A.Ş., together with Solvay acquired shares of Solvay Şişecam Holding. EBRD was also invited to join the partnership. EBRD joined the partnership investing 40 Million USD to Solvay Şişecam Holding and gave Soda San. A.Ş. and Solvay, 30 Million USD and 10 Million USD share purchase option. Soda Sanayii A.Ş. and Solvay 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.

23. Capital and legal reserve

As of 31 December 2003 and 2002 the share capital held is as follows:

Shareholders	(%)	31 December 2003	(%)	31 December 2002
		TL		TL
İş Bankası	66.106	188,404,585	66.106	188,404,585
İş Bankası Yardım Sandığı	-	-	4.063	11,578.235
Destek Reasürans	0.005	14,249	0.005	14,249
Other	33.889	96,581,166	29.826	85,002,931
Historical capital	100.000	285,000,000	100.000	285,000,000
Inflation adjustment		86,721,438		86,721,438
Restated capital		371,721,438		371,721,438
Less: Treasury stocks		(519,063)		(519,063)
Adjusted capital		371,202,375		371,202,375

The company's share capital consists of 570,000,000,000 shares (2002: 570,000,000,000).

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

Shareholders' Equity Items	Nominal Amount	Inflation Adjustments	Adjusted Amounts
Capital	285,000,000	86,202,375	371,202,375
Premium excess of par	2,728,465	1,687,815	4,416,280
Legal reserves	39,799,017	133,797,635	173,596,652
Extraordinary reserves	98,398,367	248,719,784	347,118,151
	425,925,849	470,407,609	896,333,458

24. Net sales

	2003	2002
Domestic sales	1,250,499,810	1,213,107,848
Exports	789,062,770	971,243,352
Other revenues	2,156,713	10,998,711
Sales returns	(8,344,831)	(6,946,349)
Sales discount	(144,900,627)	(145,480,105)
Other deduction from sales	(76,447,397)	(84,596,097)
	1,812,026,438	1,958,327,360

25. Cost of sales

	2003	2002
Raw materials consumed	(649,109,179)	(678,500,909)
Direct labor attributable to production	(111,082,601)	(106,820,421)
Production overheads	(198,974,081)	(202,808,609)
Depreciation of production facilities	(120,393,181)	(127,734,588)
Change in work in progress inventories	(1,369,368)	(2,516,404)
Change in finished goods inventories	(2,379,845)	(10,261,870)
Cost of products sold	(1,083,308,255)	(1,128,642,801)
Cost of merchandises sold	(62,315,856)	(75,356,888)
Cost of services rendered	(24,356,628)	(22,198,789)
Cost of other revenues	(1,912,583)	(3,589,636)
	(1,171,893,322)	(1,229,788,114)

26. Operating expenses

	2003	2002
Research and development expenses	(16,325,928)	(17,441,150)
Marketing, selling and distribution expenses	(183,006,250)	(189,621,588)
General administrative expenses	(172,148,298)	(203,809,588)
	(371,480,476)	(410,872,326)

27. Finance income / (expenses) (net)

	2003	2002
Interest income	32,293,063	43,063,432
Exchange gains	94,720,747	118,254,028
Exchange losses	(63,446,781)	(72,076,151)
Cost of short term borrowings	(37,300,200)	(78,523,153)
Cost of long term borrowings	(15,612,680)	(49,455,409)
	10,654,149	(38,737,253)

28. Other expenses (net)

	2003	2002
Provision released	321,505	5,009,728
Other income and profits	38,201,484	22,926,935
Provision expenses	(8,930,681)	(4,591,663)
Other expenses and losses	(34,181,041)	(28,993,675)
Idle capacity expenses	(43,079,920)	(33,100,874)
	(47,668,653)	(38,749,549)

29. Segmental information

31 December 2003

Business Segments	Flat Glass	Glassware	Glass Packaging	Chemicals	Other	Holding Company	Consolidation Eliminations	Consolidated
Net sales	447,929,236	614,825,321	425,142,106	496,133,502	3,453,882	-	(175,457,609)	1,812,026,438
Cost of sales	(278,822,282)	(396,233,222)	(284,742,750)	(412,518,733)	39,149,477	(15,240,047)	176,514,235	(1,171,893,322)
Gross profit	169,106,954	218,592,099	140,399,356	83,614,769	42,603,359	(15,240,047)	1,056,626	640,133,116
Operating expenses	(74,712,992)	(149,687,102)	(56,371,586)	(64,873,179)	(44,665,526)	14,687,840	4,142,069	(371,480,476)
Operating profit	94,393,962	68,904,997	84,027,770	18,741,590	(2,062,167)	(552,207)	5,198,695	268,652,640
Net profit	87,858,818	55,610,235	81,585,880	34,936,444	2,832,017	55,051,142	(142,580,659)	175,293,877

Balance sheet

Assets	1,091,908,446	1,028,083,153	783,241,924	876,587,823	751,898,575	1,163,733,332	(2,628,289,114)	3,067,164,139
Shareholders' equity	793,871,945	665,266,930	554,866,587	633,847,080	271,826,570	1,028,202,385	(2,357,948,129)	1,589,933,368

31 December 2002

Business Segments	Flat Glass	Glassware	Glass Packaging	Chemicals	Other	Holding Company	Consolidation Eliminations	Consolidated
Net sales	467,668,591	657,709,697	388,917,304	600,452,503	43,456,491	646,053	(200,523,279)	1,958,327,360
Cost of sales	(293,391,791)	(412,262,977)	(271,070,275)	(443,475,893)	21,739,010	(15,313,723)	183,987,535	(1,229,788,114)
Gross profit	174,276,800	245,446,720	117,847,029	156,976,610	65,195,501	(14,667,670)	(16,535,744)	728,539,246
Operating expenses	(95,624,358)	(167,270,296)	(52,925,733)	(74,162,591)	(54,276,522)	(13,363,489)	46,750,663	(410,872,326)
Operating profit	78,652,442	78,176,424	64,921,296	82,814,019	10,918,979	(28,031,159)	30,214,919	317,666,920
Net profit	91,657,430	36,319,888	31,429,170	49,156,183	2,633,018	43,545,666	(154,559,346)	100,182,009

Balance sheet

Assets	1,206,765,567	967,964,649	722,628,049	897,802,664	722,847,714	1,091,235,436	(2,338,089,223)	3,271,154,856
Shareholders' equity	849,823,942	609,656,693	475,668,574	641,610,647	143,168,200	973,151,243	(2,255,154,565)	1,437,924,734

30. Changes in working capital

	2003	2002
Trade receivables	10,078,049	23,417,349
Inventories	1,155,508	15,862,849
Due from related parties	6,007,670	(1,255,485)
Other receivables and current assets	7,256,046	(3,693,628)
Trade payables	(11,218,666)	15,365,773
Due to related parties	844,374	(237,000)
Advances received	(6,010,350)	2,774,409
Other payables and current liabilities	15,516,376	19,994,832
	23,629,007	72,229,099

31. Changes in other investing activities

	2003	2002
Long term receivables	36,650	(52,641)
Other long term assets	(270,707)	(1,791,959)
Long term payables	(17,867)	(8,885,452)
Other long term liabilities	(35,172)	(4,035)
	(287,096)	(10,734,087)

32. Foreign currency position

31 December 2003	USD 000	EUR 000	TL equivalent of other FC	Equivalent of TL
Cash and banks	21,160	55,589	808,624	127,351,005
Investments	1,040	-	-	1,451,546
Trade receivables	55,050	104,786	17,605,012	277,305,045
Advances given	111	5	-	163,516
Other current assets	780	4,446	547,112	9,393,910
Borrowings	(186,984)	(100,263)	-	(435,964,759)
Trade payables	(7,767)	(13,184)	(2,310,768)	(36,160,458)
Other current liabilities	(2,694)	(3,094)	-	(9,160,111)
Net foreign currency position				(65,620,306)

31 December 2002	USD 000	EUR 000	TL equivalent of other FC	Equivalent of TL
Cash and banks	7,934	26,432	368,870	66,449,626
Investments	1,059	-	-	1,972,995
Trade receivables	52,751	80,124	12,662,066	266,422,932
Due from related parties	-	3,371	-	6,542,237
Other current assets	1,739	1,528	349,540	6,553,612
Borrowings	(213,833)	(20,832)	-	(439,385,382)
Trade payables	(1,568)	(10,429)	(2,744,434)	(25,906,991)
Other current liabilities	(1,566)	(1,058)	(16,880)	(4,986,076)
Net foreign currency position				(122,337,047)

33. Legal mergers

In 2003;

- Cam Pazarlama A.Ş. merged with Camtaş Düzcamlar Pazarlama A.Ş. and Camsar Sanayii Ara Malları Pazarlama A.Ş.,
- Ferro Döküm Sanayii ve Ticaret A.Ş. merged with Ambalaj Pazarlama A.Ş. and Camış Makina ve Kalıp Sanayii A.Ş.,

in accordance with Turkish Commercial Code Article 451 and Corporate Tax Law Article 37-39.

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 positive or negative goodwill. Similarly, the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are eliminated in preparing the consolidated financial statements.

34. Prior year adjustments and changes in accounting policies

In the current period, due to new regulations of the Capital Market Board and changes in Tax Procedure Code, the Company has reviewed the records related with the inflation accounting which are the basis of the financial statements in accordance with IFRS and as a result some adjustments have been made. The details of the adjustments are set out in note 34.

In previous years the Company was carrying the value of land, land improvements and buildings at fair value based on expert valuation. Because of disasters, economic crisis and political instability it was observed that there could be important deviations between years. Accordingly, instead of fair value, land, land improvements and building values have been determined at 31 December 2003 by deducting accumulated depreciation and provisions for diminution in value from indexed acquisition cost.

The table below presents a comparison of previously reported and restated figures at 31 December 2002.

	2002 As previously reported	2002 As restated
As of 31 December:		
Inventories	315,655,761	310,073,372
Investments	362,882,605	367,299,188
Positive goodwill (net)	22,030,762	22,626,454
Negative goodwill (net)	(60,492,018)	(11,798,055)
Property, plant and equipment	2,529,332,063	2,086,689,446
Intangible assets	29,627,302	5,678,079
Deferred tax liabilities (net)	292,141,469	244,931,781
Capital	366,716,767	371,202,375
Other shareholders' equity items (except accumulated profit)	295,879,919	202,898,575
Accumulated profit	977,847,951	863,823,784

35. Subsequent events

- Company has purchased 1.12% of Trakya Cam Sanayii A.Ş. from International Finance Corporation on 23 January 2004 that has 2,553,759,923,000 TL nominal value. After the purchase, Company's share is increased to 60.83% and 138,451,870,263,000 TL nominal.
- In order to finance the export of Şişecam Group companies, a bank loan amounting 50 million USD with a maturity of 1 year was provided by 5 banks including ABN Ambro Bank N.V., Citibank N.A., HSBC Bank PLC, Credit Agricole Indosuez and Soci  t   Generale S.A. on 27 January 2004. Loan will be used in order to increase the export shares of Group's exporter firms.
- Negotiations about 19th period collective agreement bargaining between T  rkiye Cam,   imento ve Toprak Sanayi İ verenleri Sendikası and Kristal İ  Sendikası have been completed with full agreement between parties on 13 March 2004. Collective agreement is covering three year period between 1 January 2003-31 December 2005.
- It is decided to invest on the 3rd oven, that has 140,000 ton/year capacity, of Anadolu Cam B.V.'s, that Anadolu Cam Sanayii A.   owns 51.85%, Ruscam packaging establishment, that is in Russian Federation. Also it is decided to use all of the pre-emptive rights and transfer 5,188,650 Euro capital to purchase Pokrovsky glass packaging firms, that has 75,000 ton/year capacity, 76% share from European Bank of Reconstruction and Development (EBRD).
- Due to board of directors meeting of Company on 26 March 2004 it is decided to increase capital from 285,000,000 Million TL to 403,000,000 Million TL. The increased amount of 118,000,000 Million TL will be provided from internal resources.
- Due to board of directors meeting of Anadolu Cam Sanayii A.   on 26 March 2004 it is decided to increase capital of the company from 151,180,000 Million TL to 151,431,691 Million TL by using internal resources.

- g) Retirement pay provision ceiling level has been increased to 1,485,530,000 TL as of 1 January 2004.
- h) Since inflation rates do not meet the threshold determined by the Ministry of Finance, inflation accounting will not be implemented for the first period of temporary tax according to Tax Procedure Code.

36. Approval of financial statements

The audited financial statements of the Company for the period ended 31 December 2003, prepared in accordance with IFRS as referred in Capital Market Board Bulletin XI No: 25, were reviewed by the Board of Directors on 22 April 2003 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 Finance Assistant General Manager Ahmet Faruk Polatkan and Headquarter 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 2003

Dear shareholders,

Our Company profit for the fiscal year 2003 is TL 175,293,877,289,441.

We hereby propose the distribution of the 2003 consolidated profit of TL 175,293,877,289,441 displayed in the 2003 consolidated financial statements, considering the share of the Group from the profit distributions of equity participations, joint ventures, that is to be submitted to General Assembly 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 11 March 2004, No. OFD / 439-4290 and the article 29 of the Articles of Association of the Company.

1) Net Profit After Tax	175,293,877,289,441
2) Profit from Sales of Property and Equity Participations to be Transferred to the Capital	(36,596,947,387,633)
3) Nondistributable Profit	<u>(36,782,344,677,808)</u>
4) Distributable Profit	101,914,585,224,000
5) First Legal Reserves	(5,095,729,261,200)
6) First Dividend to Shareholders	(20,400,000,000,000)
7) Extraordinary Reserves [1-(2+5+6)=]	113,201,200,640,608

We also propose for your approval the payment of a TL 20,400,000,000,000 dividend in cash on June 30, 2004.

We would like to thank all our shareholders and especially Türkiye İş Bankası A.Ş. for their support and advise in achieving the results we presented to you in our report, and our employees, who worked self-sacrificingly toward the afore mentioned results.

Very truly yours,



H. Ersin Özince
Chairman

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

Türkiye Şişe ve Cam Fabrikaları A.Ş.

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Tel: (324) 676 40 70 / Pbx Fax: (324) 676 40 73 - 676 40 04

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Camiş Ambalaj Sanayii A.Ş.

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Paşabahçe Glass GmbH

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

Paşabahçe Mağazaları A.Ş.

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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.

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Mersin Plant

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

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Fax: (262) 653 19 91 - 653 26 57 www.camelyaf.com.tr

Camiş Egypt Mining Co. Ltd.

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Camiş Elektrik Üretimi Otoprodüktör Grubu A.Ş.

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Oxyvit Kimya Sanayii ve Ticaret A.Ş.

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Kromsan Plant Tuzla Liquid Tankrom Facilities

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