

**regional vision,
strong performance**



Corporate Profile

Şişecam operates predominantly in the manufacture of glass and chemicals. It is the leader in its fields of business, encompassing all the key areas of glass-making (i.e. flat glass, glassware, glass packaging and glass fiber) and soda ash products and chromium chemicals.

Şişecam was founded in 1935 by İşbank upon the directive of the founder of the modern Turkish state, Kemal Atatürk. The year 2007 marked the 72nd anniversary of the Group.

In the first few decades of its establishment, Şişecam gave priority to meeting the domestic needs for basic glass products. Starting from the 1960s, the Group has embarked on a vigorous and ambitious entry into global markets acting along the maxim “our market is the world”. Since the 1970s, the Group has diversified its operations in an era of rapid growth.

Depending on different ranking criteria, Şişecam's global rank varies from third to eighth in its field among the world's most distinguished glass manufacturers, thanks to its scale, degree of specialization and the considerable competitive advantage of its operations.

Şişecam reached its current position through employing principles of modern management and industrialization, a concentration on corporate standards and a focus on R&D, which shall serve as the springboard for a stronger Şişecam in the future.

The Group's vision embodies leadership in its field of operation within its neighboring countries.

In addition to the large-scale investments undertaken abroad in recent years, there are a number of ventures at the planning stage or in the process of implementation in other countries, all vital steps in Şişecam's journey towards this vision. During the process of globalization, strategic cooperation and ventures in collaboration with other companies in its field of operation will play a key role in Şişecam's promising future.

The Group performs its operations from facilities located in eight countries with the help of 17,028 employees. Shares in the Group's flagship company, Şişecam, float on the ISE along with those of its subsidiaries, Trakya Cam, Anadolu Cam, Soda Sanayii and Denizli Cam. Over time, the Group intends to go undertake public offerings of all its main business branches and expand its capital base.

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regional vision, strong performance

Backed by its regional vision, Şişecam sustained its strong performance, proving this yet again with a sterling set of operating results in 2007.

Buttressed by a sturdy industrial background and skills acquired over the years, this regional vision carries Şişecam to new horizons, constituting the greatest assurance of the future.

Şişecam is resolved to push forward with undiluted ambition, realizing the full potential of the boundless potential ahead, regardless of the circumstances.

The Year at a Glance

Flat Glass

+38%
growth

Glassware

+15%
growth

Glass Packaging

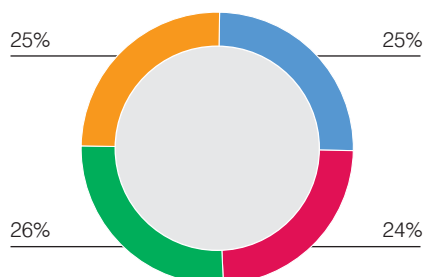
+28%
growth

Chemicals

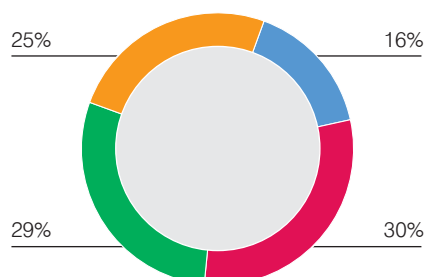
+37%
growth

Distribution by Businesses

Net Sales



International Sales*



Trakya Cam improved its strong market position and registered positive operating results.

The most notable development of the year was the successive introduction of two flat glass plants (Turkey's 5th and 6th float lines) in Yenişehir-Bursa, which lifted the national production capacity by 50%. A coated glass facility (to produce new generation insulation glass) to enter operation in the same location is significant in terms of the share of value added products in total sales. Design work for the 7th float line in Polatlı, Ankara - selected as the new area for development - is underway. To fulfill regional growth in demand, two float line investments are in progress, one for extending the existing line in Bulgaria, with the other being an entirely new facility in Krasnodar, Russia.

In spite of the ongoing consolidation process in the global glassware sector, Paşabahçe Cam managed to jack up production and sales, enlarging its share of the European market.

While new production units in Bulgaria and Russia augmented operations, they also underpinned the overall performance and enhanced the company's competitive advantage. The product group under the f&d brand, developed especially for the upper market segment, boomed, as testament to its success. The Paşabahçe Posuda expansion investment for the rapidly developing Russian market is ongoing and the plant is scheduled to enter production in the first half of 2008. The investment for the new industrial glass furnace in Eskişehir entered operation in early 2008.

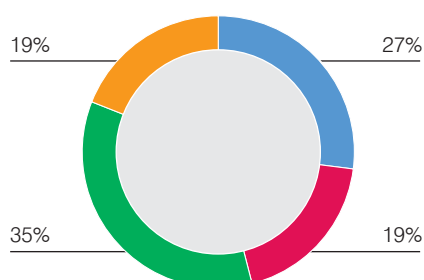
Anadolu Cam has achieved significant progress towards its goal of leadership in emerging regional markets. Its gains have had a positive bearing on operating results.

The furnace investments in Ruscam-Ufa (furnace 3) and Yenişehir-Bursa (furnace 2) were completed and a new investment was launched in Yenişehir for the third furnace. Investments for two new facilities are continuing in Krasnodar-Russia and Novosibirsk. The acquisition of the Kirishsky plant near St.Petersburg was finalized in March 2008, while the Odessa-Ukraine investment planned for 2008 will dramatically boost business volume and add new dimensions to its domination of the regional market.

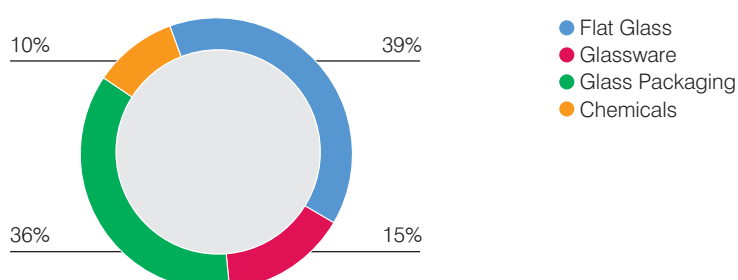
Production in the Soda Sanayii has surged through additional investments in parallel to rising demand for soda ash products and chromium chemicals.

The Soda Lukavac facilities in Bosnia Herzegovina were revamped; heavy soda investments were completed, with painstaking efforts undertaken to expand the product range and shift the mix towards value-added products. Moreover, various regional growth projects are currently under evaluation. Following the introduction of the Camış Electricity Co-generation plant to provide steam for the Mersin Soda plant, new investments are in progress to double the capacity of the plant. These new investments, to be completed by the second half of 2009, will further cut production costs.

Investments



EBITDA**



* Includes exports and sales from production abroad.

** Earnings Before Interest, Taxes, Depreciation and Amortization.

Financial Highlights

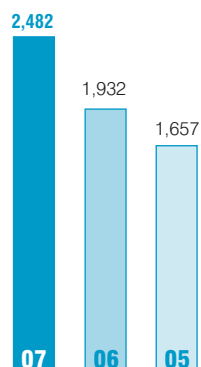
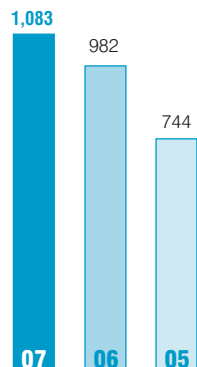
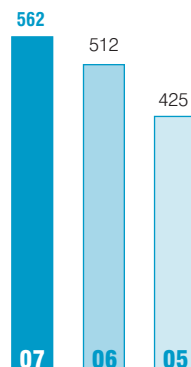
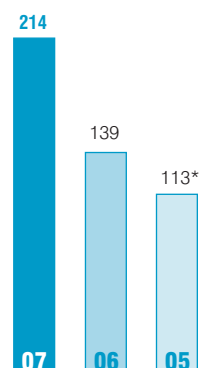
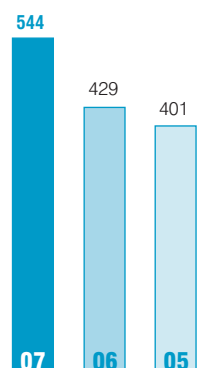
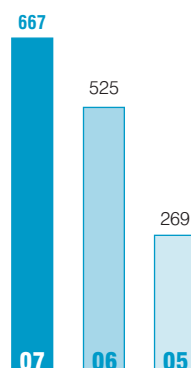
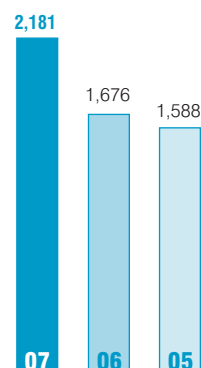
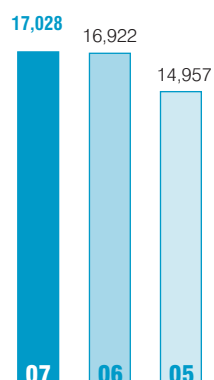
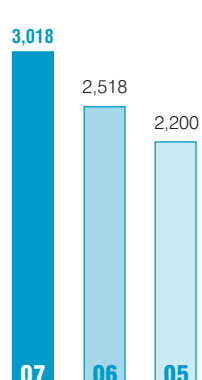
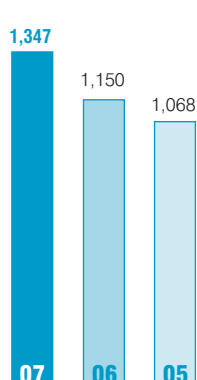
Summary Consolidated Balance Sheets	2007		2006		2005	
	YTL m	USD m	YTL m	USD m	YTL m	USD m
Current Assets	1,775	1,524	1,661	1,182	1,346	1,003
Non Current Assets	3,422	2,938	3,274	2,329	2,873	2,141
Total Assets	5,197	4,462	4,935	3,511	4,219	3,144
Current Liabilities	941	808	917	652	661	493
Non Current Liabilities	913	784	927	660	753	561
Minority Interest	803	689	735	523	674	502
Shareholders' Equity	2,540	2,181	2,356	1,676	2,131	1,588
Total Equity and Liabilities	5,197	4,462	4,935	3,511	4,219	3,144

Summary Consolidated Statements of Income	2007		2006		2005	
	YTL m	USD m	YTL m	USD m	YTL m	USD m
Net Sales	3,228	2,482	2,761	1,932	2,221	1,657
Cost of Sales	(2,268)	(1,744)	(1,898)	(1,328)	(1,500)	(1,119)
Gross Operating Profit	960	738	863	604	721	538
Operating Expenses	(598)	(460)	(565)	(396)	(431)	(322)
Net Operating Profit	362	278	298	208	290	216
Finance Income / (Expenses) (Net)	(17)	(13)	(30)	(21)	(5)	(3)
Other Operating Income / (Expenses) (Net)	109	84	(15)	(10)	(169)	(126)
Operating Profit	454	349	253	177	116	87
Current Taxes	(79)	(61)	(65)	(45)	(68)	(51)
Deferred Tax (Charge) / Benefit	(6)	(4)	92	64	7	5
Profit Before Minority Interest	369	284	280	196	55	41
Minority Interest	(91)	(70)	(81)	(57)	(61)	(45)
Net Profit / (Loss) for the Period	278	214	199	139	(6)	(4)
Provision for Impairment of Investments*	-	-	-	-	157	117
Net Profit Before Provision for Impairment of Investments	278	214	199	139	151	113
Earnings Before Interest and Taxes (EBIT)**	362	278	298	208	290	216
Depreciation and Amortization	346	266	316	221	248	185
Earnings Before Interest, Taxes and Dep. (EBITDA)**	708	544	614	429	538	401
Cash Provided by Operating Activities	386	297	404	283	348	259
Net Financial Debt	777	667	738	525	361	269

Financial Ratios	2007	2006	2005
Current Assets / Current Liabilities	1.89	1.81	2.04
Total Liabilities / Total Assets	0.36	0.37	0.34
Total Liabilities / Shareholders' Equity	0.73	0.78	0.66
Net Financial Debt / Shareholders' Equity	0.31	0.31	0.17
Gross Operating Profit / Net Sales	0.30	0.31	0.32
EBITDA** / Net Sales	0.22	0.22	0.24
EBIT** / Net Sales	0.11	0.11	0.13
Net Financial Debt / EBITDA**	1.10	1.20	0.67

* Provision for impairment of investments is a non-operational and non-cash item.

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

Net Sales
(USD m)**International Sales**
(USD m)**Investments**
(USD m)**Net Profit**
(USD m)**EBITDA****
(USD m)**Net Financial Debt**
(USD m)**Shareholders' Equity**
(USD m)**Number of Employees****Glass Production**
(000 Ton)**Chemicals Production**
(000 Ton)

To Our Shareholders

Şişecam has achieved significant progress in this operating period resulting from rapid growth, impressive performance and a far reaching vision.



The official opening ceremony of the Trakya Glass Bulgaria EAD "Glass Complex" took place.



The 3rd furnace in the Ruscam-Ufa plant entered operation. The first foundations were laid for the Ruscam-Kuban plant. Modernization of the Soda Lukavac plant was completed.



Flat glass and glass packaging facilities entered operation following the official opening the Bursa-Yenişehir Glass Complex.



The 3rd furnace of the Paşabahçe Eskişehir plant entered operation.

Dear Shareholders,

While expressing our pleasure to be together for the 72nd Ordinary General Assembly of our company, we salute you all with our deepest respect and sincere regards.

For better or worse, we have closed another operating year. As you may appreciate, we appear before you with significant progress achieved on the back of another year of rapid growth, an impressive performance and the far reaching vision which investors have come to expect from us. We would like to note that such a consistently strong pace of development is by no means a coincidence, but principally a consequence of the strength we have obtained from you and our efforts to capitalize on all conditions to build the success of the company.

As we always underline, Şişecam is a company on a mission following the basic values set forth by our founder, with a focus on corporate principles, under stable management, on the right industrial track, specialized in its main field of business and always focused on high targets. We are driven by our tenacity to improve these areas. The company's development not only tells a story of success but an insatiable hunger for success.

In that respect, 2007 proved no exception. Our Group sustained its steady growth. Even in the face of negative economic developments throughout the world since the second half of the year, the overall positive picture for the year underpinned our operations and was instrumental in meeting our targets.

Although the country chalked up further growth, the rate of growth fell short of our target for the first time, while the deterioration in inflation and current deficits continued. Optimism for the future has taken a blow from the bleak foreign economic conjecture. Against such a backdrop, the consolidation of trust and stability has returned as a key factor on the agenda, with the re-adoption of the EU and IMF anchors, maintaining fiscal discipline and above all completing the belated structural reforms becoming ever more vital in economic expectations. We would reiterate the importance of structural reform and an industrial strategy in maintaining our competitive advantage.

On the other hand, after a long run of rapid growth, the global economy is in the middle of a slowdown. The problems created by the triple deficits in the US are coming home to roost, with the finance segment bearing the brunt of the fallout. The dollar has tumbled with inflation rising, growth dwindling, liquidity contracting and ambiguity taking hold. This state of affairs might be interpreted as a process of re-structuring, caused by deepening globalization and a shift in balances.

Undoubtedly, the performance our Group achieves and its expectations from the future are of crucial importance in the course to be followed by our Group under these circumstances. We would like to emphasize that we adhere to a conception that is prudent, far-sighted, bold and conscientious on each of these three areas and with our usual resolve. In parallel with the process of globalization, we have embraced "a regional vision" and pushed our limits constantly. As we expand in a region which is home to some of the fastest

growing economies in the world, we diversify our risks, sustain our performance and look to the future with confidence. We believe that the fact 44% of our volume is comprised of international sales should not be overlooked.

Another important area which we concentrate our efforts in is raising our competitive advantage. In a fiercely competitive sector, Şişecam has always acted in the manner befitting an effective manufacturer, upholding this approach meticulously in 2007 without ever compromising in its dedication to efficiency, rationality, state-of-the-art technologies and focus on R&D to promote competition. Furthermore, the project of re-organization and improving business processes launched a few years ago was carried on in phases.

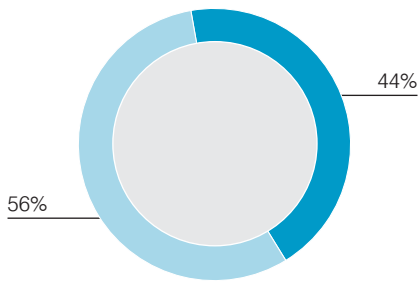
Certain decisions were taken and implemented during the year to enhance our Group's focus on the sector, structural simplicity and transparency. In this context, our company Ferro Döküm was sold as it was deemed to be outside our range of core businesses, while synergy was created by merging Camiş Logistics with Trakya Cam and structural simplicity was aimed at through the merger of our Cam Pazarlama company with Şişecam. The land formerly occupied by Paşabahçe Cam's Beykoz facility was put on sale, ensuring a better use of our idle assets. We would like to offer you our full assurance that we will continue to contribute to the value of our company.

To Our Shareholders

All of our activities are carried out with awareness, consistency and confidence around our maxim of “regional vision, strong performance”. Because, we have high ambitions.

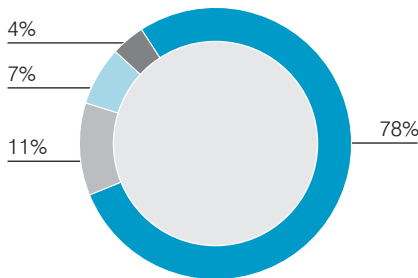
Distribution of (Domestic and International) Sales

- International Sales
- Domestic Sales



Regional Distribution of International Sales

- Europe
- Asia+Oceania
- Africa+Middle East
- America



Dear Shareholders,

All these efforts serve to ensure the future of Şişecam and the sustainability of its performance, but will not imply any compromise from our short-term performance and profitability. Our Group's superior performance in 2007, when compared to other organizations in the sector, stands as testament to this. With the proof of the pudding in the eating, we would like to provide a brief overview of our consolidated operating results.

Our net sales rose by 28% to US\$ 2.5 billion, with international sales constituting 44% of this amount.

Glass production climbed by 20% and exceeded 3 million tons with 36% of this produced abroad.

Investment expenditures remained high at US\$ 562 million.

Despite the intensive investment program, net financial debt only grew by 27% to US\$ 667 million.

Our financial performance registered new highs: EBITDA was up by 27%, to reach US\$ 544 million while the net profit rose by 54% to US\$ 214 million.

The number of our employees increased slightly by 0.6% to 17,028, 27% of whom work abroad.

I would like to share some information about the operations of our Businesses (classified according to our core areas of business), which have provided such a strong set of results.

Trakya Cam further strengthened its market position and registered positive operating results. The most notable development of the year was the opening of two flat glass production facilities (Turkey's 5th and 6th float lines) in Yenisehir-Bursa which raised Turkey's overall production capacity by 50%. A coated glass production facility, manufacturing new generation insulation glass, came on stream in the same location, as significant development in lifting the share of value added products in total sales. Design work for the 7th float line in Polatli, Ankara - selected as the new area for development - is underway. In the Business' moves towards regional growth, two float line investments are in progress; one for extending the existing line in Bulgaria and the other in building a new one in Krasnodar, Russia.

Paşabahçe Cam, in spite of the ongoing process of consolidation in the global glassware sector, managed to jack up its production and sales, expanding its market share in the European market. While new production units in Bulgaria and Russia augmented operations, they also supported the Business' overall performance and added to its competitive advantage. The product group under the f&d brand, developed especially for the upper market segment, boomed, a clear success. Work

continued on the Paşabahçe Posuda expansion investment, to meet demand in the rapidly developing Russian market, and the plant is scheduled to come on stream in the first half of 2008. The investment in a new industrial glass furnace, completed in Eskişehir, entered operation in early 2008.

Anadolu Cam has achieved great strides towards its aim of leadership in emerging regional markets. Its gains have had a positive bearing on operating results. The furnace investments in Ruscam-Ufa (furnace 3) and Yenişehir-Bursa (furnace 2) were completed, with a new investment was launched in the 3rd furnace in Yenişehir. Investments in 2 new plants are continuing in Krasnodar-Russia and Novosibirsk. The acquisition of Kirishsky near St.Petersburg was finalized in March 2008. The Odessa-Ukraine investment, planned for 2008, will provide a dramatic boost to business volume and add new dimensions to its domination of the regional market.

Soda Sanayii has raised its production through additional investments, in parallel with the rising demand for soda and chromium chemicals. The Soda Lukavac facilities in Bosnia Herzegovina were revamped; investments in heavy soda production were completed, and there have been painstaking efforts to expand the product spectrum and shift towards the manufacture of value-added products. Moreover, various regional growth projects are under evaluation. Subsequent to the contribution of the Camiş Elektrik Co-

generation plant in provision of steam for the Mersin Soda plant, new investments are in progress to double plant capacity. These new investments, to be completed by the latter half of 2009, will cut production costs further.

Dear Shareholders,

As this presentation shows, our main Businesses are busy for building the future in their various fields. All activities are carried out with a sense of awareness, consistency and confidence around our maxim of "regional vision, strong performance". We undoubtedly have ambitious goals. Both our 2008 business program and strategic plan set high targets such as doubling our glass production in the space of just five years. As we always seek to express, we seize all growth opportunities offered to us by the geography where we operate as a Corporation with all necessary resources, background, committed human power and self-confidence.

Against a background of global economic uncertainty, this determination for growth and expansion may appear reckless. However, it should not be forgotten that

Şişecam reached its current position with steps made under similar conditions. It still boasts an outward and strong structure. Hence opportunities should be grasped when they emerge and a bright future can only be made possible by long-term policies and strategies. In that respect, Şişecam acts as an industrialist should, moving on the right track prudently but armed with knowledge, experience and courage.

Without doubt, the most important part in this process is to be played by our employees. Their faithful and devoted efforts will be the main factor in shaping our future. We would like to express that we feel a debt of gratitude to all of our employees.

With this in mind, we hold the belief that our shareholders will move forward with rising aspirations and high expectations of ourselves and continue to offer us their invaluable support. We extend our unreserved thanks to all our stakeholders, employees, customers and other business partners to whom we owe our current position, and extend our love and respect to you all.



Prof. Dr. Ahmet Kirman
Chairman and Managing Director



A. Doğan Arıkan
Board Member and President

Board of Directors



Prof. Dr. Ahmet Kirman
Chairman-Managing Director

(49) Having graduated from the Ankara University Faculty of Law, Mr. Kirman graduated with an MA from the Competition branch of the Ankara University EU Law and obtained his doctorate in Commercial Law in 1989. Continuing his studies in financial law, Prof. Dr. Kirman became an Associate Professor in 1994 and Professor in 2000. He then started teaching at the Ankara University Faculty of Political Sciences before going on to become the Director of Institute, Chairman and later Department Head. He is currently teaching at the Galatasaray University Faculty of Law. He has extensive experience in the banking and insurance sectors as an attorney of law and a certified financial consultant. He served as financial consultant at İşbank, and contributed to the training programs provided by the Central Bank of Turkey (TCMB), the TBB and the TSRŞB and served as a fiscal law consultant in these institutions. Serving at the Council of Tax and also as a member of board in many financial and industrial companies, Mr. Kirman assumed the position of Chairman of the Board of Directors at İşbank. He currently serves as the Chairman of Board of Directors at Milli Reasürans T.A.Ş.

Yusuf Ziya Toprak*
Vice Chairman

(64) Having graduated from the İstanbul Academy of Economical and Administrative Sciences, Mr. Toprak started his career at the Audit Department of İşbank in 1967. After taking up various positions, he worked as the General Manager at Yatırım Finansman Menkul Değerler between 1997-1999, and as the Vice President of İşbank between 2000-2003, before retiring in 2004.

* Audit Committee members.

The members of Board of Directors are appointed for the period 13 April 2007 - 13 April 2010, and their authorities are defined in accordance with the Commercial Code and the Articles of Association of Şişecam.

İnci Yılmaz left the position of membership in Board of Directors and Ahmet Faruk Polatkan was appointed for this position on 3 June 2007.

The Chairman of the Board of Directors Prof. Dr. Ahmet Kirman was also appointed as Managing Director on 26 March 2008.



A. Doğan Arıkan
Member-President

(58) Graduating from the Department of Business Administration at METU, Mr. Arıkan started his career at the State Meteorology Institute in 1972. After serving in various management posts in İşbank between 1973 and 1987, he worked as the General Manager in MEPA and IDÇ between 1987 and 2000. He has served as the President of Şişecam since 2000.

Özgün Çınar*
Member

(38) Having graduated from Department of Management, Faculty of Political Sciences in Ankara University, Mr Çınar obtained an MA degree on International Banking and Finance from the University of Southampton. He started working life as investment specialist at the Participations Department of İşbank, then took up various managerial positions at the Bank. After working at Petrol Ofisi, Mr Çınar has been serving as a Group Manager at İşbank's Participations Department since 2005.

Erdal Aral
Member

(40) Having graduated from Department of Economics, Faculty of Economics and Administrative Sciences at Marmara University, Mr Aral started his career in İşbank in 1989 as an Assistant Inspector at the Inspection Board. He held the position of organization manager between 1995 and 1996. He was appointed as Assistant Manager in the Treasury Department. Mr Aral obtained an MA degree at the Department of International Banking from Loughborough University of Technology in England between 1997 and 1998. Afterwards Mr Aral worked as the Group Manager in the Treasury Department. Since July 2002, he has been serving as Section Manager at the same department

Ahmet F. Polatkan
Member

(60) Having graduated from Ankara Academy of Economics and Commercial Sciences, Mr Polatkan started his career in 1965. He worked as Comptroller in the Ministry of Finance between 1973-1978. He joined Şişecam in 1978 and held different managerial positions. Between 1993 and 2007, he worked as Assistant General Manager in charge of financial affairs. Mr Polatkan retired in 2007.

Yaşar İğdirsel*
Member

(62) Having graduated from Department of Economics and Finance, Faculty of Political Sciences in Ankara University Mr İğdirsel started his career in İşbank in 1973 at the Inspection Board. He held the positions of Assistant Manager and Manager in various branches of İşbank. He also worked as the Managing Director of İş Factoring, an İşbank subsidiary. Mr İğdirsel retired in 2004.

Management



A. Doğan Arıkan **President**

(58) Graduating from the Department of Business Administration at METU, Mr. Arıkan started his career at the State Meteorology Institute in 1972. After serving in various management posts in İşbank between 1973 and 1987, he worked as the General Manager in MEPA and İDÇ between 1987 and 2000. He has served as the President of Şişecam since 2000.

Gülsüm Azeri

Executive Vice President-Flat Glass

(56) Having graduated from the Chemical Engineering Department at the Bosphorus University, Mrs. Azeri received an MBA degree in Industrial Engineering at the same university. Starting her career at Çukurova Holding in 1978, Mrs. Azeri joined Şişecam in 1981, taking up various positions. She served as the Executive Vice President-Glassware between 1998 and 2007. She was appointed as the Executive Vice President-Flat Glass in September, 2007.

Kemal Ağanoğlu

Chief Risk and Internal Audit Officer

(60) Graduating from the Faculty of Economics at the İstanbul University, Mr. Ağanoğlu started his career at the Audit Department of İşbank in 1973 as the Assistant Inspector. Taking up various positions in a variety of units at the Head Office and branches of the bank, both in Turkey and abroad, Mr. Ağanoğlu was appointed as the Chief Risk and Internal Audit Officer in July, 2007.

A. Taner Uz

Executive Vice President-Glassware

(54) Having graduated from the Department of Mechanical Engineering at METU and obtaining an MBA from the Department of Engineering Sciences at the same university, Mr. Uz started his career at Ankara Erg İnş. Tic. ve San. A.Ş. in 1976. Joining Şişecam in 1980, Mr. Uz assumed various positions in the company. He was appointed as the Executive Vice President-Glassware in September, 2007.

Mehmet Kara

Vice President-Strategic Planning

(57) Having graduated with a B.A. degree from the Department of Economics at the Bosphorus University and going on to complete an MBA from the Cleveland State University in the USA, Mr. Kara joined Şişecam in 1976. After having served in a number of various positions in the company, he has been in the post of Vice President-Strategic Planning since 1994.



Teoman Yenigün

Executive Vice President-Glass Packaging

(55) Graduating from the Department of Mechanical Engineering at the Bosphorus University, Mr. Yenigün started his career at Şişecam in 1975. He worked in a number of positions within the company, being appointed as the Executive Vice President-Glass Packaging in 1998 where he still serves.

Dr. Yıldırım Teoman

Vice President-Research and Technology

(53) Graduating with a BSc degree in Chemical Engineering from ITU and going on to gain a Ph.D. from Birmingham University in the UK, Mr. Teoman started to work as an academic at Birmingham University in 1979. Having received the Associate Professor title from the Department of Basic Processes and Thermodynamics at İTÜ, he started working in Şişecam in 1983, working in various positions. He has been working as the Vice President-Research and Technology since 1999.

Dr. Ateş Kut

Executive Vice President-Chemicals

(58) Having graduated from the Department of Chemical Engineering at the Ankara University, Mr. Kut obtained his Ph.D. at the same university and embarked on his career at the Atomic Energy Commission. Joining Şişecam in 1980, Mr. Kut took up various positions. He has been serving as the Executive Vice President-Chemicals since 1998.

Ali Nafiz Konuk

Vice President-Human Resources

(60) Having graduated from the Faculty of Law at the İstanbul University, Mr. Konuk served as a freelance lawyer between 1973 and 1976 and as a Legal Advisor at the Turkish Textile Employers' Association from 1976 to 1991. Joining Şişecam in 1991 as the Manager of Industrial Relations, Mr. Konuk was appointed as the Secretary General in July, 2007 and as the Vice President-Human Resources in December, 2007.

İbrahim Babayiğit

Chief Financial Officer

(48) Having graduated from the Department of Business Administration at METU, Mr. Babayiğit started his career at İşbank and worked as an Auditor between 1984 and 1991. He served as the Assistant Manager and Group Manager at the Headquarters of the bank between 1992-2000. Having served as the Accounting Manager at İşbank between 2001 and 2005, Mr. Babayiğit then worked as the Manager of the Sultanhamam Branch of the bank between 2005-2007. He was appointed as the CFO in July, 2007.

Flat Glass Business

Trakya Cam, the leader of the Turkish flat glass market, ranks as

- **The eighth company worldwide with a market share of 4% in global flat glass production; and**
- **Among the top five companies in Europe with a share of 13.5% in the European flat glass production.**

Trakya Cam





Trakya Cam continues to offer diverse solutions to households and commercial buildings by virtue of a rich array of products.



Flat Glass Business

Trakya Cam increased sales and maintained its leading position thanks to growth in the construction, automotive, furniture, durable goods and energy sectors which are the markets for its wide range of products.

Trakya Cam Consolidated Highlights* (IFRS)

USD m	2007	2006	2005
Net Sales	689	500	437
International Sales	175	187	99
Gross Operating Profit	252	182	161
Net Operating Profit	140	101	92
Net Profit	133	102	62
EBITDA	210	150	138
Net Financial Debt	205	148	96
Shareholders' Equity	954	705	646
Total Assets	1,422	1,092	970
Investments	153	184	111
Number of Employees	2,961	2,810	2,340

* Includes Trakya Cam, Trakya Cam Investment, Trakya Glass Bulgaria, Trakya Yenişehir, Trakya Glass Logistics and Trakya Polatlı.

Flat glass: A vital product in our everyday life.

Flat glass continues to occupy and assume a significant place in the world economy due to the size of the sector, as well as the need for flat glass in the construction and automotive sectors in particular and in sectors such as furniture, durable goods, energy, agriculture, transportation and health.

Global demand for flat glass has been increasing by an average annual rate of 4-5%, with growth of 5-10% in developing countries. While Europe accounts for approximately 76% of global demand for flat glass, much of the world's flat glass is produced in North America and China.

The Asia-Pacific Region, including China and India, is responsible for half of the world's flat glass production.

Eastern Europe, Russia, Turkey and the Balkans reinforce their positions as bastions of dynamism in the global flat glass industry, fuelled by rapid growth in consumption and the high growth potential in these regions.

Russia, the region's largest market, has attracted the interest of all flat glass producers with its rapid growth in consumption and lack of supply. Turkey, on the other hand, is the second biggest market and most rapidly growing market after Russia.

The Flat Glass Business in line with its vision of being,

- "A leader in main markets and an important regional player in competitive markets" in the basic glass products;
- "A leader in Turkey and a rising star in Europe as a strong supplier of glass systems for automotive companies" in the field of automotive glasses;
- "An important glass supplier for system manufacturers related to renewable energy production" in the field of energy glasses;
- "A strong glass supplier for manufacturers in the durable goods sector in Turkey and Europe" in the field of durable goods glasses.

The leader in the Turkish flat glass market.

Trakya Cam, the group's main company, ranks as the eighth largest company in the world, accounting for 4% of global flat glass production and also ranks among the top five companies in Europe, commanding a share of 13.5% of overall European flat glass production.

Producing from 14 plants in 5 locations

Trakya Cam is the leading company in the Turkish flat glass market, carrying out its production and investment activities from 14 plants in 5 different locations, such as Lüleburgaz, Mersin, Çayırova, Yenişehir and Bulgaria.

The Business brought its 5th float glass plant on stream in May, 2007 and 6th float glass plant on stream in November, 2007 in Yenişehir. This was followed by its Coated Glass plant in June, 2007. The new production capacity allowed Trakya Cam to reinforce its leading position in the market in terms of product diversity, quality, and price and service approach.

Trakya Cam also raised its sales in 2007 maintaining its leading position in the market, supported by growth in its key market segments such as automotive, durable goods, furniture and energy, in parallel with the rising flat glass consumption in Turkey.

International production facilities meet demand for high-quality flat glass from the Balkans

New Flat Glass, Processed Glass and Mirror production facilities in the Trakya Glass Bulgaria EAD "Glass plant" in Bulgaria have helped meet local demand for flat glass, processed glass and mirrors - used as inputs in a variety of sectors, mainly construction and automotive, but also in furniture, durable goods, energy and agriculture. The new facilities have also paved the way for substantial exports to other European countries.

Dacia Logan



Honda Civic

**Trakya Otocam (Autoglass)**

Trakya Otocam has reinforced its position as a reliable supplier of leading international automotive manufacturers through its branded products, which are secure, comfortable and aesthetic.



Toyota Auris

TOFLEX®**TOGLAS®****Lameks®****DURACAM®**

The Saint Petersburg Fair

Trakya Cam received the "Golden Martenitza" award in 2007, which is jointly issued by Bulgaria's Ministry of Economy and Energy and the Bulgarian Manufacturing Union to corporations which contribute to the economical development of the country through their foreign investment in Bulgaria.

Strong position in the automotive glass market

Trakya Otocam maintained its leading position in the market by raising its sales in 2007 in line with its vision of being "a leader in Turkey and a growing company in Europe as a strong supplier of glass systems for automotive companies". While sales of imported motor vehicles fell by 7% in 2007, sales of motor vehicles manufactured in Turkey rose by 3% when compared to their 2006 level. Underpinned by a 34% increase in the total number of vehicles exported, Turkey's automotive industry realized 1% growth in the total number of motor vehicles manufactured domestically.

Turkey ranks as the world's 16th largest manufacturer of motor vehicles and as the 6th largest market for motor vehicles in the EU, after Germany, the UK, Italy, France and Spain. Trakya Otocam meets the glass demands of leading and respectable brands in a developing sector, such as Ford, Renault, Toyota, Hyundai, Fiat and Mercedes.

Trakya Otocam will retain its position of being the leading manufacturer in a developing sector.

Turkey is one of the key production hubs for large automotive manufacturers. In line with this trend in the automotive industry, the Turkish automotive market has become a significant part of the global market, turning into a major playing field where all international brands compete.

Keeping a close eye on the development of the sector and new automotive investments, Trakya Otocam will remain the principal manufacturer in new projects for the market.

A wide range of products for many sectors, ranging from durable goods to energy

The Trakya Cam processing plant supplies refrigerators and ovens for the durable goods sector, doors and stands for the construction and furniture sectors, collectors and photovoltaic (solar) batteries (PV) in the energy sector and tempered glass for almost every sector. The sector was thus able to raise its sales both in Turkey and abroad.

There has been considerable growth in the sale of solar panels and solar batteries (PV) in recent years amid rising importance attached to energy saving and awareness of environmental protection; the sector is expected to enjoy further growth in the coming years.



The "Solar Battery" (PV), which turns solar energy into electricity, helps limit the scourge of global warming.

On the other hand, with the Glass Processing plant in Bulgaria entering service at the beginning of 2007, the Company increased its profile in the European durable goods market.

Both mirror and laminated glass consumption increased in parallel with the growth in the construction and furniture sectors in Turkey in 2007, a trend which was reflected in Trakya Cam's sales of laminated glass and mirrors.

The development of technology and new products also continued in 2007. The Company started production of "tinted glass", predominantly used in the furniture sector, and tinted glass was brought to the market as a commercial commodity.

Trakya Cam brought “New Generation Insulating Windows” to the market, which offer high performance in energy saving.

AURA reflekt

HELIO®

ISICAM

ISICAMklasik

ISICAMkonfor

ISICAMSinerji

TENTESOL®

TENTESOL T®

ELITGLASS

FLOTAL®
EVOLUT

FLOTAL S

DURACAM®

Lameks®

DURA SOLAR® P+

Brand awareness for flat glass products demanded by the construction, automotive, furniture, white goods and energy sectors is becoming more and more prevalent.

Meanwhile, the Company successfully initiated production of fine glass (thickness of 1.6 mm), to be used in the production of automotive glass, at the Trakya Lüleburgaz plant.

Increased emphasis on energy efficiency

Trakya Cam brought new high insulation windows to the market, promising high energy savings.

Saving energy has gradually become more important due to the gradual increase in energy consumption in both developed and developing countries, issues such as pollution of the environment throughout the world and diminishing energy resources.

With energy consumption in buildings reaching high levels, “heat and solar control windows”, allowing energy savings, have become more popular.

New generation insulating windows

Manufactured at Trakya Cam's Yenişehir Coated Glasses plant, which entered operation in June, 2007, new high insulation “low-e 1.1 and “solar low-e 1.1” windows were introduced, achieving energy savings of 72% and 45% when compared to single glazed windows and Isicam classic windows.

US\$ 3 billion in energy savings

It is envisaged that proper glazing of windows could save Turkey up to US\$ 3 billion in energy each year. Trakya Cam has strived to promote the use of energy saving products through nationwide promotional activities, both directly and through the media.

In all developed countries, the use of high insulation windows has become a legal requirement in new buildings, with governments encouraging the use of such windows with implementations checked through laws and regulations.

It is expected that studies into the new revised draft TS 825 Heat Insulation Regulation Standard on higher insulation, which requires the use of high insulation windows in new buildings in Turkey, will be enacted and enter the statute books in 2008.

The new Energy Efficiency Law...

The implementation of the “Energy Identity Certificate” for the buildings has been initiated.

Information about a building's heating performance, as well as its insulation conditions, window features and need for heating and cooling will be stated on this certificate. The regulation related to this implementation is expected to enter force in May, 2009. This certificate will be a pre-requisite for the purchase or rent of new buildings.

The use of Trakya Cam's double glazing “Isicam Sinerji” and “Isicam Konfor” products is expected to gradually become widespread.

Working towards a new flat glass plant in Turkey...

In line with its vision, the group initiated an investment into another flat glass plant (7th float line) to meet the rising need for flat glass, in parallel with the developments in the automotive and energy sectors.

To form an effective logistics organization...

Trakya Cam merged with Camış Lojistik through a takeover.

No let up in international investments ...

In line with the rapid developments taking place in the Middle East, Europe, and the Balkans, the Company embarked on investments to establish four new facilities including the second flat glass facility, as well as Automotive Glass, Coated Glass



A promotion campaign was launched to inform consumers-already aware of the heat insulation provided by our double glazing-about the "New Generation Insulation Glass" with higher performance.



and Laminated Glass plants, in addition to the existing investments in Bulgaria. All of these investments are scheduled to be completed by the end of 2010.

Moreover, studies for the establishment of a flat glass plant in the Krasnodar region in the Russian Federation for the Russian market have been initiated.

Within the scope of promotional and publicity activities...

The Group took part in leading profession fairs of the sector both in Turkey and abroad in 2007 with booths featuring glass solutions which boast an array of features ranging from energy savings, safety, noise control and aesthetics.

The advertising campaign, conducted under the "Sand Art" title promoted Trakya Cam's 'Isıcam Sinerji' and 'Isıcam Konfor' products, which provide much higher levels

of insulation than standard double-glazing windows with the slogan "New Generation Insulating Windows". The campaign was broadcast on national television channels during September and October, 2007.

Trakya Cam's website was renewed with the use of comprehensive and easy-to-understand content and visual impact.

The Flat Glass Business aims to grow rapidly in the fields of basic glass, automotive glass, durable goods and energy glass at different spots in a manner where it will meet the growing demand on time and minimize the logistics costs.

The Business will continue to add value for its shareholders in the coming period, further strengthening its position among flat glass companies.



Glassware Business

Paşabahçe Cam, one of the world's leading glassware manufacturers, maintained its market share in Turkey throughout 2007. Sales to international markets rose by 9% in volume and by 12% in US Dollar terms.

Paşabahçe Cam





Developed in consistence with changing trends and tastes, glassware products offer endless choices to consumers with their vast variety of design and color.



Glassware Business

The plants in Turkey, Bulgaria and Russia continued to produce at full-capacity; additional production potential was created by means of machine speed and efficiency.

Glassware Business Combined Highlights* (IFRS)

USD m	2007	2006	2005
Net Sales	635	551	501
International Sales	339	303	277
Gross Operating Profit	203	196	181
Net Operating Profit	21	34	42
Net Profit	15	14	27
EBITDA	82	94	96
Net Financial Debt	126	64	59
Shareholders' Equity	753	619	608
Total Assets	1,150	973	953
Investments	104	74	67
Number of Employees	5,752	5,619	5,594

* Includes Paşabahçe Cam, Denizli Cam, Camış Ambalaj and Paşabahçe Stores.

Paşabahçe Cam Consolidated Highlights* (IFRS)

USD m	2007	2006	2005
Net Sales	520	472	406
International Sales	317	279	257
Gross Operating Profit	151	143	131
Net Operating Profit	16	24	27
Net Profit	14	11	9
EBITDA	69	68	79
Net Financial Debt	194	137	105
Shareholders' Equity	440	357	358
Total Assets	834	704	697
Investments	78	61	70
Number of Employees	4,162	4,042	4,017

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

The markets steered a volatile course in the first half of the year and then fell victim to the storm clouds gathering over the global economic outlook in the last quarter of the year. Despite this, steady growth in the population of middle-income consumers, who command rising purchasing power, in many emerging markets underpinned development, mainly in the retail sector, but also in the promotion and catering sectors, helping support demand in these markets.

Strong demand for glass objects.

While the contraction in the traditional crystal market in the sector has continued, global demand for high-quality glass and crystal products, which appeal to the tastes of contemporary consumers, as well as glass objects for daily use continues.

Consumers have higher expectations from design diversity and aesthetics which present both functionality and a new concept in products, whereas price is still the key factor affecting consumers' purchase decisions. Moreover, the swift offering of products to the market, direct sales to end-users and after-sales services have become as important as the price.

The share of retail chains in distribution channels has increased while interest and investment by multinational retail giants, searching out new markets in rapidly emerging markets grow. In these markets where local retail chains also develop, it is observed that there is an inclination towards diversity in retail sales formats, similar to that in the developed Western markets.



"Lord of Glass". This special glass is characterized by its eye-catching glow, immaculate transparency and its distinct and superior jingle. It offers special products for the flourishing food and drink culture.



The creative designs of Denizli Cam, the powerful brand of hand-made glass products, attract the attention of world markets.



It is seen that publicity, promotion and B2B segments are triggered by international activities, as well as changing lifestyles and developments in the tourism sector have maintained their demand dynamism in 2007.

Supply balance in glassware shifts Eastward.

The dynamism of the sector continued to shift from an axis of the developed West towards the East in terms of supply, too. While the trend towards rationalization and contraction has continued in the USA and among traditional manufacturers in the European Union, a slew of new capacity has come on stream in Eastern Europe, the Middle East and Asia.

Demand for glassware in Turkey in 2007 was broadly unchanged when compared to the previous year.

The slowdown in consumption expenditures in 2007 is also thought to have affected demand for glassware, with consumption realized at its previous year's level.

Despite the overvalued Turkish Lira, there was no significant increase in imports; instead, the increase in import volumes was caused by the import of cheap products from Asia (mainly the Far East). Local manufacturers principally concentrated on active sales during the year.

A sterling performance from Paşabahçe Cam in 2007.

Paşabahçe Cam, one of the world's leading glassware manufacturers, maintained its market share in Turkey in 2007.

The company's sales to international markets from operations in and outside Turkey rose by 9% in volume terms while revenues were up by 12% in US Dollar terms. Having predominantly focused on the European markets and continued to capture share from a market characterized by stiff competition, Paşabahçe Cam realized substantial increases in its sales to the CIS region, mainly Russia and the Middle East.

Plants in Turkey, Bulgaria and Russia worked at full capacity while additional production potential was created through developments in machine speed and efficiency.

"f&d" added to the product portfolio.

The Company added "f&d" - a new product offering superior glass quality and technological characteristics - to its product portfolio, with production starting at the Kırklareli plant in the first quarter of 2007. This new addition raised Paşabahçe Cam's total production by 6%, enabling the company to continue its growth in line with its vision.

New investments to further boost Paşabahçe Cam's competitive strength.

In line with its target of capturing new share from global automatic glassware markets, Paşabahçe Cam initiated two big investments which it planned in accordance with its growth strategy.

Glassware Business

The expansion of the Paşabahçe Posuda plant will double its production capacity in 2008, enabling the company to consolidate its market leadership in Russia and countries of the CIS.

Work on the second furnace investment in Posuda-Russia, which started in June 2007, is ongoing rapidly, in line with Paşabahçe's target of being the leader company in markets of the developing CIS region, mainly the Russian market, which is deemed as one of the world's largest emerging economies.

With this investment, which will double the current capacity of the Posuda plant, emphasis will be placed on new processes and local production range will be expanded with the production of two-piece wineglasses, special type of glass products and plates. This new capacity, which requires a total investment budget of US\$ 70 million, is planned come on stream in the first half of 2008.

Another investment aimed at growth is the new furnace, the foundation of which was laid at Paşabahçe Eskişehir plant in August, 2007. The new furnace will be geared towards products aimed at the industrial sector, including washing machine observation windows, construction materials such as glass bricks and glass parquets, as well as food processor windows and glass pot covers.



The durable goods sector maintains its importance across the globe. With this investment, high-quality observation windows will be sold to leading Turkish durable goods manufacturers, to these manufacturers' facilities in foreign countries and to other multinational manufacturers. Moreover, Turkey will be able to supply the construction sector and export to the markets in Europe, CIS countries and the Middle East glass bricks and glass parquets. Backed by a total investment of US\$ 40 million, the new plant entered operation by the end of February, 2008.

Continuing modernization projects to increase efficiency and lower costs, Paşabahçe raised the production capacity of multicolored printing and plastic accessories in order to meet customers' demands and expectations.

Important steps in the ERP project

Maintaining its growth in collaboration with multinational production centers, Paşabahçe Cam established a Supply Chain Management over the SAP system and initiated preparations for the Enterprise Resource Planning (ERP) Project in 2007 so as to utilize its resources more effectively and optimize its production in accordance with the points of demand. It is planned that the active use of the system will be underway by the last quarter of 2008.

The company began to render consignment storage services in Hungary and New Jersey (USA) in 2007 in order to provide local support for the sales in the Middle and Eastern Europe and USA, as well as to meet small-scaled and instant demands of customers rapidly and to gain new customers.

Paşabahçe Cam aims to increase its sales by more than 20% in 2008 with new capacity investments that will be brought into operation in the second half of the year in line with its vision of being "the world's most powerful glassware company, concentrating on glass with the backing of its experience and talent".

Paşabahçe also plans to grow in markets deemed strategic in terms of offering cost advantages and high growth potential and to take considerable steps towards this direction in 2008, in parallel with its multifocal production strategy based on reinforcing its competition strength and increasing its global market share.

Hand-made crystal...

Addressing market segments most affected by the volatility in the global economy with giftware and decorative products made of hand-made crystal, Denizli Cam struggled with the overvalued Turkish Lira, with total sales barely changed from their previous year's level. Denizli Cam plans to concentrate its efforts on Denizli brand products to the giftware and retail segments in foreign markets through project-based activities in and outside Turkey in 2008, and aims to increase its total sales by more than 15%.

A leader in specialty retailing...

Paşabahçe Stores helped protect the leading position in specialty retailing concentrated on the Turkish market, also with the addition of two new stores opened in 2007 - İstinye Park, İstanbul and Panora, Ankara - and the online store at the www.pasabahcemagazalari.com address and continued to provide support to the Paşabahçe brand.



The theme "7" was inspired from the enigma of the number "7" and its omnipresence in all cultures. The number is inscribed by cultural motifs on the hand-made products in the new collection of Paşabahçe Stores.



High levels of customer satisfaction were created through top notch service quality as well as a wide product range, which reflects the daily trend of the domestic life within the scope of the "Life" concept. In the "Boutique" concept, meanwhile, institutional image support was stiffened through the retailing and cultural products with the new "7 Collections" promoted to relevant segments at the Hagia Irene Church, which received wide acclaim.

Paşabahçe Stores aim to maintain a leadership position in 2008 as well.

A strong manufacturer in paper-cardboard packaging

Camiş Ambalaj, operating in the field of paper-cardboard packaging, is one of the leading manufacturers in the sector.

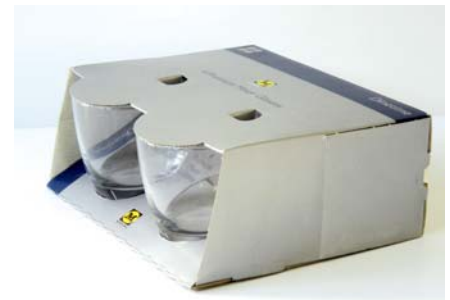
Camiş Ambalaj, which produces offset printed cardboard and laminated consumer packaging, flexo printed corrugated consumer and transportation packaging, tray and multi-packaging for automatic

maintenance, promotion displays and other side products, increasingly maintained its success in development and creativity which was proven by two Golden Packaging awards received from the TSE in 2007.

With the investments recently undertaken at the Eskişehir plant in high-quality flexo printed packaging, a wide range of products ranging from gift boxes to jumbo boxes have been supplied and are planned to raise the share of high value added products at this plant, which reached the limits of its existing corrugated packaging capacity.

Modernization investments to be carried out in 2008 at the Tuzla plant aim to reduce costs and manufacture more attractive products, where production of offset printed packaging is carried out.

Camiş Ambalaj aims to raise its total sales by 5.5% in 2008.



Camiş Ambalaj won the "Golden Packaging" Prize with its Efes Pilsen promotion package and Paşabahçe Morrison glass products.

Glass Packaging Business

Anadolu Cam, in line with its strategy of consolidating its regional leadership, has defined its geographical periphery of its glass packaging operations as the Russian Federation, the Balkans, the Turkic Republics, Eastern Europe and the Middle East.

Anadolu Cam





With a life from "cradle to cradle", glass packages can be recycled infinitely. Therefore, using glass for packaging is the best way to preserve natural resources.



Glass Packaging Business

Anadolu Cam, one of the five largest glass packaging production companies in the world, recorded 48% of its sale revenues from operations abroad.

Glass Packaging Business Combined Highlights* (IFRS)

USD m	2007	2006	2005
Net Sales	690	538	447
International Sales	330	238	150
Gross Operating Profit	188	150	125
Net Operating Profit	105	49	69
Net Profit	68	45	42
EBITDA	191	119	119
Net Financial Debt	314	216	108
Shareholders' Equity	889	716	608
Total Assets	1,424	1,148	957
Investments	197	145	168
Number of Employees	4,701	4,888	4,267

* Includes Anadolu Cam, Mina, Ruscam Gorohovets, Ruscam Pokrovsky, Ruscam Ufa, Anadolu Cam Investment, Balsand, Anadolu Cam Yenişehir, Omco-Istanbul, Balkum, FormMat and Ruscam Kuban.

Anadolu Cam Consolidated Highlights* (IFRS)

USD m	2007	2006	2005
Net Sales	687	475	398
International Sales	330	214	133
Gross Operating Profit	188	119	110
Net Operating Profit	105	42	63
Net Profit	55	26	40
EBITDA	191	106	113
Net Financial Debt	314	248	122
Shareholders' Equity	562	450	450
Total Assets	1,112	874	780
Investments	197	140	166
Number of Employees	4,701	4,548	3,957

* Includes Anadolu Cam, Mina, Ruscam Gorohovets, Ruscam Pokrovsky, Ruscam Ufa, Anadolu Cam Investment, Balsand, Anadolu Cam Yenişehir, Omco-Istanbul, Balkum, FormMat and Ruscam Kuban.

Half of the total of over 110 million tons in annual glass production globally consists of glass packaging.

While the global glass packing production industry has grown at an average of 2%, the rate of growth in the sector in regions such as the Asia-Pacific and Eastern Europe, which are home to a number of emerging markets, exceeded this average.

The consolidation process experienced in the global packaging sector over the last 5 years continued into 2007. While the consolidation process was largely completed in Northern America, the process in Europe brought capacity restrictions and price increases for the first time in over a decade. On the other hand, competition has become fiercer due to a combination of proactive policies implemented by glass

packaging manufacturers and the continuous development of the substitute packaging sector.

Production capacity of 1.8 million t/y

Anadolu Cam which sustains its rapid growth in emerging markets without interruption reached a total production capacity of 1.8 million tons/year, including

- A capacity of 750,000 tons/year at 3 plants in Turkey,
- A capacity of 960,000 tons/year at 4 plants in Russia,
- A capacity of 50,000 tons/year at its plant in Georgia.

Employing 4,700 people at its plants in homeland and abroad, Anadolu Cam is among the top five companies of the world in glass packaging production.

Strong position in the national market

Anadolu Cam's strong position in the Turkish market forms the basis of its move towards growth.

The Company's total domestic production capacity, which carries out its local operations at plants located in Istanbul, Mersin and Bursa-Yenişehir under the Anadolu Cam name reached 750,000 tons/year in 2007.

The investment in growth in Yenişehir, Bursa which started in 2006 continues at full steam ahead. Hot on the heels of the 1st furnace, with a capacity of 120,000 tons, entering operation in January, 2006, the 2nd furnace investment, aimed at meeting demand of the growing market was swiftly completed and entered operation in May, 2007. This investment took the capacity of Anadolu Cam's Yenişehir plant, which produces green colored glass packaging, up to 240,000 tons/year.



Glass packaging is the most effective medium to tap into consumer preferences on a wide spectrum by its nature and diversity of shapes.



The investment in the 3rd furnace, also with an annual capacity of 120,000 tons, was initiated in Yenisehir to meet rising demand for high-quality bottles with special designs, in parallel with the growth expectations of the domestic market. The furnace is planned to enter operation by the middle of 2008. Along with the completion of this investment, the total annual capacity additions at the Yenisehir facility between 2006-2008 will increase to 360,000 tons from a total investment of US\$ 170 million. When this investment is realized, the total established annual capacity in Turkey will reach 870,000 tons.

A total of US\$ 16 million was invested in modernization and innovation in 2007 in a bid to improve production quality and increase efficiency at the Topkapı and Mersin plants, as well as for investments in respect to environmental and food safety (HACCP - Hazard Analysis and Critical Control Points).

Domestic sale volumes of 650,000 tons
Anadolu Cam's domestic sales reached 650,000 tons in 2007.

Sales of soda water bottles exceeded 200,000 tons for the first time, with sales of food boxes and beer bottles each notching up over 100,000 tons of sales.

Designing for 497 new products

Design work into a total of 497 new products for domestic and foreign markets were carried out at the Glass Packaging Design Center, which entered operation at the end of 2006, while the mould designs for 137 products were completed, and 120 products were manufactured.

Anadolu Cam received two awards at the 20th Golden Packaging Contest held by TSE İzmir Regional Directorate this year for the fruit juice bottle which it designed for Netto fruit juices, produced by the company Kızılkı and the vinegar bottle which it designed for Kükrer.

Increase in sales in Georgia

Total sales at the Mina plant in Georgia, the Company's first international operation, increased in 2007 to reach 47,000 tons.

The Mina plant operates with 2 furnaces and plans to channel most of its annual production of 50,000 tons to the domestic market in 2007 to meet demand for products required in the Turkish market. The Mina plant, which ended 2007 under the shadow of the political crisis which arose between Russia and Georgia, achieved satisfactory profitability in 2007.

An investment move in the Russian Federation

While Anadolu Cam, which defines its basic strategy in the field of glass packaging as "to permanently raise its scale and to be the leading manufacturer in immediate regions", sustains its investments at home and also continues to move into the Russian Federation, in line with its strategy.

Glass Packaging Business

Total glass packaging production capacity of the Business is expected to reach 2 million tons in the aftermath of the investments that are planned to be made in 2008.



Having embarked on operations in Russia, which is one of the most attractive high growth markets for foreign investors, Anadolu Cam has now reached an annual production capacity of 960,000 tons through 9 furnaces at a total of 4 plants with a total of US\$ 300 million in investment.

The leading glass packaging company in Russia

Carrying out its operations in the Russian Federation under the "Ruscam" name, Anadolu Cam became the leading glass packaging company in the Russian Federation thanks to its sound technological infrastructure and the capacity size it reached.

The capacity of the Ruscam Gorohovets plant, the Group's first investment into Russia, has tripled since 2002 when the plant entered operation. The plant currently manufactures a total more than 1 billion amber and green colored bottles through three furnaces and with an annual production capacity of 300,000 tons.

The total annual capacity of the Ruscam Pokrovsky plant, purchased at the beginning of 2004, was increased to 200,000 tons with the addition of the 2nd furnace which entered operation in the second half of 2005 to meet the rapid growth in demand for beer bottles. Amber and green bottles for beer and other alcoholic beverages are also manufactured at this plant.

The third furnace at the Ruscam Ufa plant, located in the Republic of Bashkortostan, entered operation towards the middle of 2007, raising the plant's total annual capacity to 360,000 tons. The plant manufactures amber and white bottles for beer and other alcoholic beverages.

Anadolu Cam purchased the "OAO Kirishsky Stekolny Zavod" glass packaging

plant, with an annual production capacity of 95,000 tons, located in the city of Kirishi in the Leningradskaya region in March, 2008.

Meanwhile, the 1st furnace of the new glass packaging plant in the Krasnodar region is scheduled to enter operation towards the middle of 2008. The plant is expected to attain a total annual production capacity of 240,000 tons with two furnaces.

Moreover, work got underway on an investment in a plant with two furnaces and a total annual capacity of 240,000 tons in the city of Novosibirsk in Russia's Siberia Region.

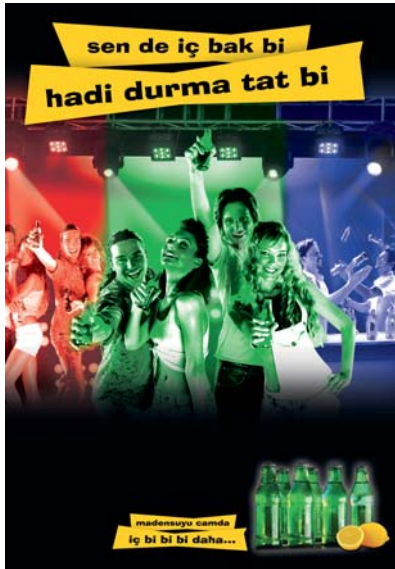
Targeting further growth in the Russian market

Defining its strategy of growth in the Russian market as "being the biggest supplier by rapid growth and developing the market", Anadolu Cam plans to consolidate its strong position going forward as well, either by purchasing existing companies or by investing in new plants.

The total production capacity will exceed 1 million tons/year with the completion of investment projects in 2008 initiated in various regions of Russia in order to meet the rising need for high-quality bottles of growing sectors such as the beer, as well as the spirits and mineral water sectors.

Furnace investment in Ukraine

In line with its strategy of consolidating its regional leadership, Anadolu Cam defined the geographical periphery of its glass packaging operations as the Russian Federation, the Balkans, the Turkic Republics, Eastern Europe, and the Middle East and worked out a strategy of being the leading glass packaging supplier through growth in these regions. Within the framework of this strategy, the Company planned a new furnace investment in the city of Odessa in Ukraine,



It is also a popular material in natural mineral water bottles, with its contribution to healthy and high-quality life.



which offers tremendous growth potential in this region.

The Balkum plant, in which Anadolu Cam entered a partnership in 2004, continued to supply high-quality and economic sand to raise glass packaging production in the Russian Federation.

International cooperation in glass molding
OMCO-İstanbul, the 50/50 joint venture between Anadolu Cam and the Belgian based OMCO International NV, realized US\$ 31 million of sales from the production of high-quality glass packaging and glassware moulds at competitive prices in the international market.

An environment-friendly manufacturer
As an environmentally conscious manufacturer, the Company undertakes a range of environmental investments at all of its plants in order to prevent waste from harming the environment, in pursuance with the regulations in effect. Emphasis is placed on studies aimed at increasing the use of "recycled glass" in the glass production, due to the positive impact on the quality of glass but also as a means to lower costs at the same time, as well as supporting its contribution to the general economy through its energy-saving characteristics.

For a more productive working environment...

The human resources strategy adopted at plants both in Turkey and abroad is to create added value and to integrate the future of employees with that of the company. For this purpose, within the scope of establishing a positive working environment which will ensure employees' commitment to the company as well as their consistency, and corporate communication, raising the teams of the future and generalization of the participant management style, studies in respect to the OHSAS 18001 - Occupational Health and Safety Advisory Service - were completed and certificated.

Targeting production of 2 million tons

The Glass Packaging Business aims to raise its total glass packaging production capacity to 2 million tons through the growth investments planned for 2008.

In order to consolidate its identity of being a strong player in the region, the Business is committed to continuing and widening its projects throughout Turkey and neighboring regions.



Anadolu Cam won the "Golden Packaging" Prize with the Netto fruit juice bottle and Kemal Kükrer vinegar bottle.



Omco-İstanbul continued to work hard to satisfy customers' needs for high quality molds.

Chemicals Business

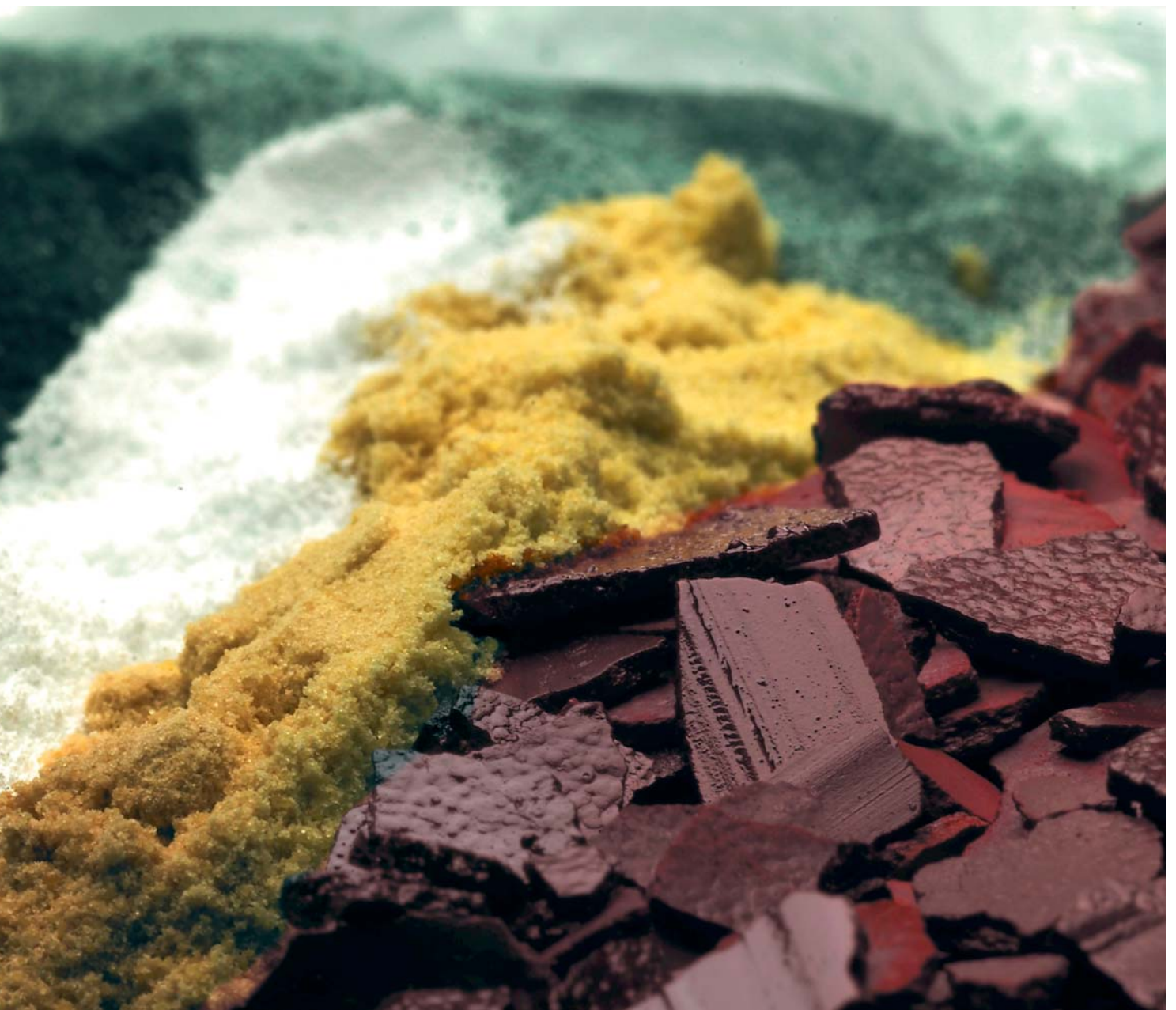
The main field of activity, soda ash products, happens to be a basic chemical used as an input in many sectors, mainly in glass, textiles, chemistry, food and feed stock, in Turkey and around the world.

Soda Sanayii





*We are
committed
to
environment,
human health
and
safety*



Chemicals Business

The Business manufactures soda ash products, chromium chemicals, glass fiber and unsaturated polyesters, industrial raw materials, electricity, steam, vitamin K3 derivatives and sodium metabisulfite at more than 20 plants in 5 countries and offers such products to a variety of markets.

Chemicals Business Combined Highlights* (IFRS)

USD m	2007	2006	2005
Net Sales	668	489	440
International Sales	286	254	218
Gross Operating Profit	91	87	68
Net Operating Profit	8	15	10
Net Profit	18	59	31
EBITDA	53	50	43
Net Financial Debt	102	21	(50)
Shareholders' Equity	703	600	584
Total Assets	1,077	879	786
Investments	108	106	60
Number of Employees	3,153	3,141	2,310

* Includes Soda Sanayii, Cam Elyaf, Camiř Madencilik, Madencilik San., Camiř Elektrik, Camiř Egypt, Camiř Lojistik and Cam-Ser Madencilik.

Soda Sanayii Consolidated Highlights* (IFRS)

USD m	2007	2006	2005
Net Sales	351	287	250
International Sales	236	204	169
Gross Operating Profit	49	63	43
Net Operating Profit	(1)	25	9
Net Profit	12	46	9
EBITDA	24	44	28
Net Financial Debt	56	3	(32)
Shareholders' Equity	362	309	273
Total Assets	561	452	369
Investments	51	72	14
Number of Employees	1,787	1,802	988

* Includes Soda Sanayii, řiřecam Bulgaria, Oxyvit Kimya and řiřecam Soda Lukavac.

More than 20 plants in 5 countries

The Business manufactures soda ash, chromium chemicals, glass fibers and unsaturated polyesters, industrial raw materials, electricity, steam, vitamin K3 derivatives and sodium metabisulfite at more than 20 plants in 5 countries, and offers these products to a variety of markets.

The main field of activity, soda ash products, is concentrated on a basic chemical used as an input in many sectors, mainly glass, textiles, chemistry, food and feed stock, both in Turkey and in other countries.

Export figures indicate a substantial rise in 2007 when compared to the previous year, taking total exports to beyond the target level; at the same time, the targets set for domestic sales were easily achieved.

Demand for soda ash on course for further growth...

It is envisaged that the growth trend in the increasing demand for soda ash will continue throughout the world in the following period. Demand is expected to surge at rates well in excess of the averages in neighboring markets. The reason behind this sharp jump is the growth in the regional economies and capacity increasing investments in sectors where soda ash is used as an input.

Soda Sanayii chose to expand its production potential in a bid to address the rising demand in emerging markets and increase efficiency in new markets. To this end, based on the preference to market soda ash products directly, the decision was taken to discontinue sodium silicate production at the Mersin plant.

Soda ash products are mainly used in the glass industry as well as chemicals, textiles and numerous other industries.



Chromium chemicals have applications in a wide range of areas of daily life.



The Mersin Soda Ash plant updates its systems and certifications in accordance with studies conducted in compliance with high quality, environmental and health standards. For Sodium Bicarbonate, the internationally recognized ISO 22000: 2005 Food Safety Management Systems Standard was adopted to replace the out-of-date HACCP Management System.

For Sodium Bicarbonate, the Company met all conditions necessary to obtain the FAMI-QS (European Feed Additives and Premixtures Quality System) certificate, a "Quality Management System" established within the scope of the "Feed Hygiene Regulation" (183/2005) and implemented in EU member countries. The certification process is still continuing.

Moreover, in 2007...

- The first "Year 2007 Quality Days" meeting was held between May 23-25, 2007.
- Soda Sanayii renewed its promise to bring its plants in compliance with management system standards, merging their quality (ISO 9000), environment (ISO 14000), occupational health and safety (OHSAS 18000), and food safety (ISO 22000) policies.

The Heavy Soda Ash Unit entered operation at the Soda Lukavac plant in Bosnia-Herzegovina, raising product diversity at the plant and enhancing the plant's competitive strength and production capacity, thus paving the way for exports to Turkey and other neighboring countries through progress achieved in the quality of products and packaging.

While Sodium Bichromate production capacity was raised through capacity maximization, production at the Chromic Acid plant exceeded the nameplate capacity after a series of studies realized to meet the rising global demand.

The Basic Chromium Sulphate plant, which entered operation in the first quarter of 2007, raised the production capacity in this product category, consolidating the Company's position as global leader in this category.

The Business founded a company in China, one of the most important leather processing markets. China became the number one market in the export of chromium chemicals in 2007.



In the field of chromium chemicals...

2007 was a year marked by increased production of chromium chemicals at the Mersin Kromsan plant.

In line with the demand for special products from the metal coating industry, the new "Trisurfin" product, designed especially for the sector, was brought to the market.

Work continues at the sodium sulfate bleaching plant, which is scheduled to enter operation in the second half of 2008, when the product will be marketed to consumers, enabling this by-product to create increased added value for the company.

Cromital, the manufacturing partnership in Italy, maintained its dominance in the market.

The Business is also involved in the production of glass fiber and unsaturated polyester through Cam Elyaf.

Alternative energy sources, principally wind power and hydroelectric power, as well as the procurement of water resources have gradually assumed greater importance throughout the world; and pipeline projects have become more widespread accordingly. The process will considerably raise demand for glass fiber and unsaturated polyester.

Consumption of glass fiber in the Turkish market rose by 8% in 2007. Growth in pipe, automotive, construction-infrastructure, electric-electronics and navigation sectors played a role in this growth. Accordingly, domestic sales surpassed expectations to rise by 14% when compared to 2006.

Sustaining its sales growth in the domestic market, Cam Elyaf successfully entered new export markets and extending its customer base.

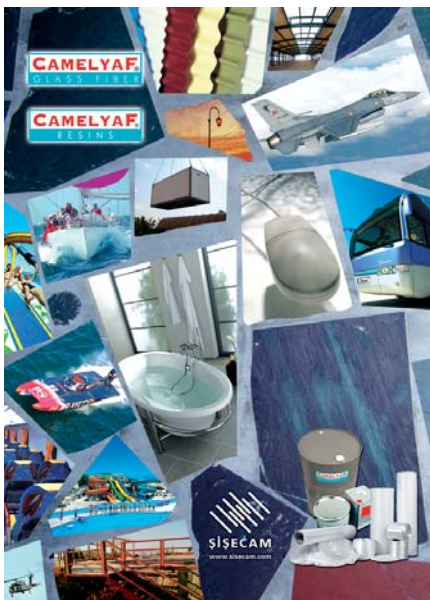
Cam Elyaf raised its efficiency in the production of glass fibers through a number of projects implemented in 2007.

Cam Elyar participated in the Glassfiber Reinforced Plastic (GRP) Specialty Fair "KOMPOIST 07" held by Glassfiber Reinforced Plastic Manufacturers Association (CTP-Sander) in Turkey for the first time.

In parallel with Group companies' continuing investments, Camış Madencilik continued its investments that aimed at developing facilities to meet the raw material needs of the Group companies, and achieved considerable progress towards turning its mining activities into a more comprehensive and dimensional "field of activity".

For this purpose, Camiř Madencilik included a strategically important mining company within its organization, which has feldspar and kaolin deposits, and renders service to the ceramics and cement sectors both in Turkey and abroad, under the name of Cam-Ser Madencilik A.ř.

Camış Madencilik established the “Environmental Management System” in 2007, which is scheduled to become a target for all Group companies, and was awarded the ISO 14001 certificate.



Glass Fiber products are used in wider areas day by day.



The Mersin Co-generation plant paved the way for soaring electricity and steam sales in 2007.



Oxyvit Kimya is constantly raising production and sales.



Camiř Madencilik is expanding throughout Turkey and abroad, adding new dimensions to its operations in glass raw materials.

Investment in Egypt

With the establishment of Camiř Egypt, the Business enhanced its reserve potential of quartz sand through new licenses and also enhanced its product diversity and production capacity.

Raising high-quality energy production...

2007 was an important year for Camiř Elektrik. Production at the Topkapı and Çayirova Power stations, with a combined capacity of 24MW, was discontinued and the power stations were sold.

The investment in the 2nd unit of the Mersin Co-generation plant was initiated. Construction of the plant was started early in 2008. It is scheduled to come on stream in the second half of 2009.

The operation of the Mersin Co-generation plant set the stage for a massive increase in sales in 2007, boosting electricity generation by 250%, with sales of steam increasing to 13 times their level in the previous year.

In separate developments, the Trakya Power station and the Mersin Co-generation plant received the ISO 9001, ISO 14001 and OHSAS certificates.

Intensive demand increase for Vitamin K3

There have been important developments in the Vitamin K3 sector in 2007. The closure of the world's largest Vitamin K3 manufacturer at the end of 2006, due to the difficult circumstances, spelt a major shift in the supply-demand balance in the sector.

Shifting requirements by users paved the way for a massive surge in demand for Oxyvit Kimya's products. As a result, sales of raw vitamins rose by 12% compared to the previous year. Moreover, rising product prices sent total sales up by 40% in US Dollar terms. The new "Sodium Metabisulphite" product, which Oxyvit Kimya added to its product range, started to be used in a variety of sectors, principally the food sector, but also, among others, textiles, paper, tanning and wastewater treatment.

Syntan production to kick off in 2008

Work continues on the construction of the Sintan Kimya facilities, established in the Leather Free Zone in Menemen - İzmir during the second half of 2006. The facilities will produce syntan, a leather chemical. The first phase of the plant, the investment of which is planned in two phases, is expected to be completed with the plant entering operation towards the middle of 2008.

With comprehensive fields of activity, the Business will continue to expand and grow through projects which it has been continuously developing.

Research-Technology

Initiatives and responsibilities taken at scientific institutions and agencies are concrete indicators of Şişecam's decisiveness and success in R&D.

An R&D tradition dating back 30 years

Apart from large-scale international investments carried out by Şişecam, the company is an important global glass manufacturer, having developed new technology through R&D activities for 30 years.

Operating to develop this further, the Research and Technology Department unstintingly continued its activities in 2007 into the design of entire glass production processes, ensuring that products are manufactured efficiently and of high quality, with further studies conducted into expanding the product portfolio.

While Group companies gained speed with new investments in 2007, progress was made in respect to issues such as the development of new products and new technologies, supporting production through the transfer of knowledge and experience and, in particular, training a new generation of employees who will provide the guarantee of the future. Included in this scope are the support staff, specialized in fields of glass technology, melting technology, thin film and surface technologies, and the hiring of new personnel to back up these specialized staff in the long term.

R&D highlights

The Group has worked on 17 furnace projects which are being planned to support growth both at home and abroad; 13 of these are new and 5 are for cold repair. Six of these furnaces have already entered operation.

In these projects, the design, detailed engineering, procurement of materials, observation, control and heating services have been provided in the installation and pre-production processes.

Studies were carried out to ensure energy efficiency in all furnaces, including those which recently entered operation, in parallel with rising energy costs. This has helped

raise production efficiency, improving quality of glass and increasing its shaping and annealing performance and implementations have been closely monitored.

The efficient use of raw materials and ensuring the stability of production costs over the long term, especially in the face of rising transportation costs through technological adaptations specific to the raw material features of the immediate regions are important areas of research.

Backed by information, experience and talent gathered in the field of glass technology, new colors have been added to the product range addressing all sectors related to coloring; in particular, research intensive activities were conducted to develop multi-colored glass with functionality, as demanded by the automotive sector.

The corporate R&D activities have started to pay dividends by contributing to the company's experience and knowledge, as well as the production of f&d, a new and qualified glassware product created at the end of 2006. Support was provided to activities to help gain f&d gain a foothold in the market.

The expanding scope of projects aimed at adding developed features to the glass surface through secondary processes, and the creation of high-tech products was carried out in the form of joint projects in cooperation with universities, as well as research institutions both in Turkey and abroad. Measures have been taken to maximize the utilization of R&D support, and incentives have been provided by institutions such as the Scientific and Technological Research Council of Turkey and the Technology and Innovation Funding Programs Directorate in projects aimed at developing new technologies and new products.



The Tentesol-T® blue and Tentesol-T® green products, designed as unique coating technology, were manufactured for the first time in 2007 and added to the product range. Among the activities carried out in 2007, work has also been carried out to develop glass and glass surfaces with various features which are reflective, can be heated, highly resistant and offer a range of various optical and physical specifications within the scope of the needs of the defense industry.

Based on the awareness of the rising importance of glass in the production of clean energy, studies continued in collaboration with universities for manufacturing solar batteries and heating panels, and emphasis was placed on the development of new products within the context of opportunities created by this field.

Responsibility at national and international platforms

Knowledge and experience gained in fields such as glass technology, furnace technology and modeling were consolidated

with joint activities carried out in collaboration with foreign institutions and service providers.

Considerable progress was covered through these joint research projects towards raising the energy and environmental performance of the glass production process. The responsibilities taken at both national and international levels among scientific institutions and agencies stand as testament to Şişecam's decisiveness and success in the field of R&D activity.

Ability to serve within and beyond Group companies

The Group continued to provide service to corporations both within and outside of the Group in a range of issues such as problem identification, problem solving and providing analysis support to each stage of production within the framework of studies carried out regarding the elimination of glass errors at their source, which appear during the production and use of the product. In order to support studies regarding evaluation of environmental effects of production activities and prevention of such effects; environmental measurements, clean technology development studies, and calibration services are carried out based on the principles of independence and objectivity. In order for these services to be rendered to production units which have been recently established within the scope of growth investments, the effectiveness and comprehensiveness of

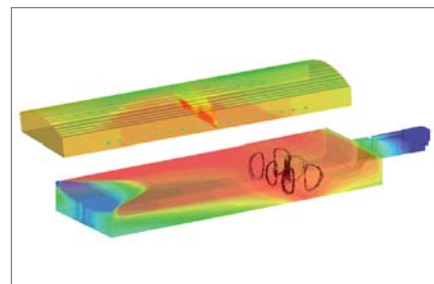
the services were raised by founding new laboratories in such regions.

Laboratory qualification studies were completed last year successfully and crowned with the "Certificate for the General Requirements for the Competence of Testing and Calibration Laboratories (TS EN ISO/IEC 17025)" given by TÜRKAK (Turkish Accreditation Agency). The unit was through an unproblematic observation audit process in 2007.

The central library, technical publications and symposiums, with an ever increasing stock of enriching content, continue to ensure that technological information is institutionally shared and implemented among Group companies. Systems have been established to activate the expanding region in terms of information management and transfer under the support of modern communication systems.

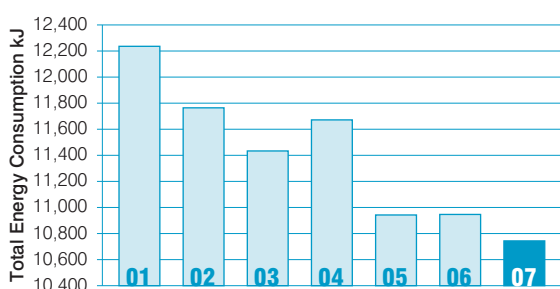
Share of R&D now comparable with global companies

Within the scope of these activities, the Group's R&D expenditures rose by 16% when compared to the previous year. The share of R&D expenditures in total turnover was realized as 0.52% due to the rapid increase in turnover led by expansion investments, which is at a level that can be compared to that of global companies operating in the same sector.



Modelling studies for glass furnaces.

Total Energy Consumption per Unit Product



Human Resources

A series of restructuring work were successfully completed in order to provide a more effective organizational framework and more effective and efficient management of human resources.

Şişecam's human resources policy is to ensure a working environment where

- The human resources function is represented at the highest level,
- Human resources are developed through modern and sustainable methods, and
- Competence, performance, satisfaction and the feeling of commitment are commonly nurtured.

To raise effectiveness and efficiency...

A series of restructuring measures were successfully realized by Şişecam in its bid to provide a more effective organizational framework and a more effective and efficient management of human resources.

Within this framework,

- A Chief Financial Officer-CFO position responsible for the financial affairs of the Group was established. The newly created Director-Controlling & Accounting and Director-Treasury & Procurement positions report to the CFO.
- A Chief Risk and Internal Audit Officer position on the VP level was established to report directly to the Board of Directors.
- A Vice President-Human Resources position was established to better represent this function in the organization.
- Studies in respect to holding and developing various implementations and reporting with the support of technology for more effective and efficient human resources activities were carried out.

Training activities are one of the most important elements of future-oriented investments of the Group where 17,000 people are employed.

Importance of investing in human resources

Şişecam further raises its scale and prevalence each passing year with its

investments both in Turkey and abroad. Şişecam is a growing family, thus attaching a great deal of importance to investment in human resources.

The training process, which begins from the recruitment stage and continues with a variety of training and self-development opportunities offered to individuals during their working life, constitutes one of the most important elements of the Group's future-oriented investments.

Besides long-term training projects such as the team of the future and Executive MBA, various training activities are provided to all employees under more than 100 subjects, grouped in main categories, including individual development, organizational development, managerial development and professional development. Such training projects are held within the framework of annual training plans prepared in compliance with individual and organizational needs.

2007 was a year marked by intensive training activities.

- 257 courses and seminars were held with the participation of 3,847 people including management and employees in 36,228 man.hours.
- 403 employees participated in a total of 4,812 man.hours of computer training held by the Department of IT Support Services.

The Group companies continued to organize on the job training activities in its plants. In this scope, together with repetitions resulting from some employees taking part in more than one training program during the year, a total 48,991 people were trained in a total of 96,965 man.hours.



All together a total of 138,005 man.hours were spent on training activities for 53,241 people, including repetitive participations, throughout the Group during 2007.

Apart from classroom and on the job training sessions, effective use was made of the potential offered by information technology. Executive MBA programs, including lessons and workshops in 40 different subjects, as well as English programs with computer support were

among the most comprehensive examples of implementation of such technologies.

Şişecam's key targets include perpetuating the existence of effective and result-oriented human resources staff who continuously develop themselves as individuals and the corporation that they are working for, who follow progresses in their own fields of profession, and who sincerely demonstrate efforts to satisfy both domestic and foreign customers, feeling satisfaction of the business they perform and developing these people as successful individuals and as the guarantee of the future.

In the field of industrial relations, on the other hand...

Intensive work has been carried out in the Group in 2007 in order to protect and improve the environment of industrial peace among workplaces which have spread out to a wide region.

Within this scope,

- Great efforts were taken in Trakya Glass Bulgaria to end the illegal strike within the framework of local regulations. The strike action broke out with demands for pay rises while collective labor agreement was still in effect, and the decision stating that such a strike was illegal was confirmed by the approval of the Supreme Court. The strike was brought to a complete end with the measures taken following the court's ruling and production resumed.
- A collective labor agreement which entered effect on October 5, 2007 upon negotiations held with the Kristal-İş (Glass, Cement, Ceramic and Soil Industries Workers' Union of Turkey) for the recently established Yenışehir plant of Trakya Cam was signed. The agreement shall be in effect for a period of 3 years between July 1, 2007 and June 30, 2010.

• In respect to collective labor agreements made with the following trade unions, which ended on December 31, 2007, negotiations are still in progress with;

- Petrol-İş (Turkish Petroleum, Chemical, Rubber Workers' Union) for workers employed at the Soda Sanayii Mersin plants,
- Çimse-İş (Union of Cement, Ceramic, Earthen-Ware and Glass Industry Workers of Turkey) for workers employed at the Denizli Glass plant,
- Kristal-İş for workers employed at facilities within the scope of 21st Period Glass Group collective labor agreement.

• Moreover, the legal procedure in respect to the identification made by the authorized union at Paşabahçe Eskişehir plant was completed and upon negotiations held with Çimse-İş whose power has been confirmed, the collective labor agreement was signed on September 1, 2007 and shall apply for a period of 3 years between April 1, 2007 and March 31, 2010.

• Studies in respect to pay tariffs and labor definitions applied at facilities covered by the Glass Group collective labor agreement were carried out in 2007; also, all current processes performed at Soda Sanayii Mersin plants were re-analyzed for the purpose of renewing labor definitions and wage systems pertaining to hourly paid personnel within the framework of technological innovations and changes in business flows.

Various measures will be taken in the field of industrial relations in line with the policies and strategies of the Group in 2008 as well as activities for the protection of the peace of the working environment and to promote the competitive strength of Şişecam.

There have been activities for training sessions as well as social and sport events to support the human resources.



Occupational Health and Safety

Studies were carried out at the industrial plants within the scope of OHSAS the 18001 Occupational Health and Safety Management System Certification, marking one of the most important activities in 2007.

Work continues apace towards the certification of the occupational health and safety management system.

In line with a decision taken by Şişecam's Board of Directors, studies were carried out at the Group's industrial plants within the scope of the OHSAS 18001 Occupational Health and Safety Management System Certification, marking one of the most important activities undertaken in 2007.

Team members commissioned in the Group companies and plants within the framework of the plan prepared for the aforementioned purposes were trained in respect to risk evaluation methods, thus paving the way for the employment of appropriate risk evaluation methods at the plants.

Occupational Health and Safety Policy
Attaching tremendous importance and respect to the right to work and live in a humane manner, Şişecam works towards the formation of a society and labor force which are spiritually and physically sound ensuring its activities are performed in healthy and safe working environments. The Company believes this can provide assurance of the future. Acting in accordance with this fundamental and unchangeable element of its managerial approach, Şişecam, aims to continuously improve the work climate and conditions in line with technological changes and developments, at informing its employees and all parties it is in relation with, thus contributing to the establishment of a "culture of health and safety" in all segments of the society through the strict implementation of legislation, standards and contemporary management systems in the field of occupational health and safety.

As a result of investment activities undertaken in 2007,

- Certification studies for the plants of the Flat Glass Business, including Trakya, Trakya Otocam and Trakya Mersin, have been finalized. Preliminary examinations at the Glass Processing and Coated Glass plant, as well as Trakya Glass Bulgaria were completed and the certification of these plants is expected to be completed in the first quarter of 2008. Teams which will carry out studies in respect to occupational health and safety at the Yenişehir plant that became operational in 2007 were formed and studies were initiated.
- Camiş Ambalaj's plant in Tuzla, bound to the Glassware Business, received the OHSAS 18001 certificate in 2007, with preliminary examination at Camiş Ambalaj's Eskişehir plant completed and expected to be granted the certificate in the first half of 2008. Work is still underway at the Kırklareli, Mersin, Eskişehir and Denizli Cam plants towards completing the certification process, which is scheduled by the end of 2008.
- Work at the Topkapı, Mersin and Yenişehir plants pertaining to the Glass Packaging Business was successfully completed; and the plants were awarded the OHSAS 18001 certificate.
- The certification process, which started at the Soda Sanayii Mersin plants, bound to the Chemicals Business in 2005 and continued through the award of the OHSAS 18001 certificate in 2006, ended with the successful completion of interim examinations in 2007. Work in this field at the Cam Elyaf and Oxyvit Kimya and Camiş Madencilik facilities are still under way and are targeted to complete preliminary examination and certification stages by the end of 2008.



Observations, measurements and analytical studies being carried out in the name of occupational health and safety were conducted at the Group's industrial companies in compliance with regulations and EU standards, with a considerable contribution made to the working environment and towards reducing the risk of occupational accidents and diseases by notifying the results of these studies to the Group's operating units through regularly published reports. Within this scope, observations and measurements were held in a total of 24 plants and offices in 2007.

Targets for 2008...

The main framework of the Group's occupational health and safety activities in 2008 will include

- the realization of the Group's targets by the end of 2008 in line with the decision of the Board of Directors by accelerating the certification process at plants which have not yet been certified; and
- continuing occupational health and safety activities at plants which have already been certificated based on the principle of continuous improvement.

Environment

The Group won the “Environmental Award” during the “Awards for the Best of the Business World” ceremony, in recognition of its approach and activities in environmental protection.

Protecting and improving environmental values...

Backed by Şişecam's Environmental Policy, the Group companies continued to redouble their efforts to ensure the protection and continuous improvement of environmental values in production process at each stage of their activities during 2007.

Environmental Policy

Şişecam as an organization that is aware of its responsibility towards environmental values, Şişecam believes in the need to maintain the world as a place the future generation can live in. This approach is considered as one of the pillars of Şişecam's strategic management and is integrated in every phase of its processes. Our aim is to carry out all the environmental protection activities within a framework of Environmental Management System and continuously improve the system with the support of all our employees.

The environmental effects of the production processes have been continuously controlled through activities carried out within the scope of the Environmental Management System and studies in respect waste reduction through the economical use of energy, raw materials and natural resources, and maximizing the use of recycling.

Apart from planned internal audits, observations and controls conducted by certification institutes during the year have been completed successfully. Training sessions and social activities aimed at raising awareness on environmental protection have been extensively carried out.

Preventing pollution caused by waste at the source...

The focal point of environmental protection activities is to prevent pollution caused by waste at the source. These activities have included examining methods for recycling some of the solid waste, a by product of glass packaging production in the glass melting process with some potential projects put forward. The project for a 100% return from solid wastes in the chimney gas treatment plant back into glass fiber furnaces

was completed, and the waste recycling process was initiated.

Efforts were undertaken to effect improvements through changes that can be made in burning control and furnace designs by concentrating on projects for reducing NOx emissions generated by the glass furnaces through primary measures at their source.

The performance of treatment plants allowing the elimination of environmentally damaging which cannot be dealt with at the source, in compliance with environmental criteria, was continuously monitored; and plants were operated at maximum efficiency for the purpose of periodic maintenance and improvements.

Environmental Effects Evaluation Process

Requirements in respect to permits without the scope of the environmental regulations have been fulfilled; in this context, the primary subject concerning investments in Turkey and abroad has been the completion of processes of Environmental Effects Evaluation (EEE). Relevant investments were undertaken within environmental targets stipulated on the basis of the EEE Affirmative Decision or EEE 'Not Necessary' Decision.

Contract signed with ÇEVKO (Environment Protection and Packaging Waste Utilization Foundation).

A contract was signed with ÇEVKO for the recycling of packages which had been brought to the market along with the products. About 6,500 tons of paper/cardboard packages and 830 tons of plastic packages were recycled during 2007.

Keeping abreast of developments in respect to changes in environmental legislation which took effect, or which are still being drafted in our country, changes deemed necessary were presented to the attention of the Ministry of Environment and Forestry through institutions such as ISO (the International Organizations for Standardization), TOBB (The Union of Chambers and Commodity Exchanges of Turkey) and TISK (Confederation of Employers' Union).

EU implementations closely monitored

As an exporter, it is of paramount importance that Şişecam Group companies are kept up to date with new environmental regulations and legislation. As such, the Company maintains a close watch of implementations in EU member states through active participations in a variety of sector committees. A number of preliminary studies into the conditions necessary for harmonization have been initiated.

Environmental Analysis Competence Certificate

An “Environmental Analysis Competence Certificate” was received from the Ministry of Environment and Forestry for emission and air quality measurements as accredited by TÜRKAK. The Environment Group conducted the measurements based on the TS EN ISO/IEC 17025 standard entitled “The General Requirements for the Competence of Testing and Calibration Laboratories”. This included the monitoring of environmental performance of institutions through periodic measurements of emissions from the production plants, and of chimney gas emissions by monitoring of the air around the plant.

The Group received the “Environmental Award”, handed out in the “Awards for the Best of the Business World” ceremony, for the company's approach to its activities taken towards environmental protection.



IT and Communication

IT and communication systems are widely used to produce solutions for required fields, starting from technological development, trends and implementation throughout the world.

IT and communication systems form the operation, communication and management network of Şişecam.

In 2007

- The Order-sale-inventory, materials management and sale consolidation systems used in the Flat Glass companies were improved; the Bulgarian language support was provided for software to be used at Trakya Glass Bulgaria. Electronic data transfer application was put into operation in Trakya - Otocam and for customs processes.

- Improvements were carried out on the Order-sale-inventory system for the Glassware companies; the chain markets order system was established in automatic glassware production through the procurement chain project, and sale groups' actions and campaign management processes were implemented. Corporate IT systems were brought into operation at manufacturing plants located in Bulgaria and the Russian Federation.

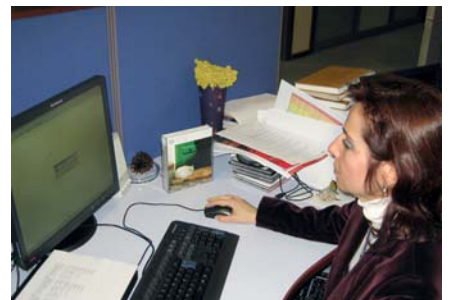
- Software used in the Glass Packaging companies in Turkey was improved by employing new technologies; for companies abroad, accounting, finance, production, and order-sale-inventory systems were developed, also receiving assistance from foreign sources.

- Modules to be used at the Soda Sanayii Mersin plants bound to the Chemicals Business and modules to be used at management and the sales center for financial and logistics purposes were developed, receiving assistance from foreign sources, and a template was created for other companies as well.

- A financial consolidation and management reporting system was developed for the purpose of monitoring the Group's financial activities, the reporting system and the analysis of industrial relations, as well as the human resources reporting system.

- Data collection and monitoring systems were established in a variety of companies for the monitoring of production and inventory; arrangements which would allow the input of data into the financial reporting and strategic planning systems used by the Group.

Şişecam attaches a great deal of importance to the operation of the infrastructure and applications with a minimum of interruption, the implementation of resources and their shared use by users, the prevention of data loss and the establishment of a reliable working environment.



**Türkiye Şişe ve Cam Fabrikaları A.Ş.
and Its Subsidiaries
Consolidated Financial Statements
For The Year Ended 31 December 2007**

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

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Independent Auditors' Report

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

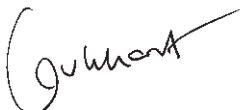
Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Şişe ve Cam Fabrikaları A.Ş. and its subsidiaries as of 31 December 2007 and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting standards determined by the Capital Markets Board.

Istanbul, 9 April 2008

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of DELOITTE TOUCHE TOHMATSU



Gökhan Alpman
Partner

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

Consolidated Balance Sheets as of 31 December 2007 and 2006

(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

ASSETS	Notes	31 December 2007	31 December 2006
Current Assets			
Cash and Cash Equivalents	4	439,881,222	512,646,333
Investments (net)	5	73,521	100,998
Trade Receivables (net)	7	557,815,948	465,298,087
Finance Lease Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	14,511,239	17,883,781
Other Receivables (net)	10	83,627,774	71,863,676
Biological Assets (net)	11	-	-
Inventories (net)	12	660,097,235	582,730,948
Receivables from Ongoing Construction Agreements (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	19,180,022	10,391,551
Total Current Assets		1,775,186,961	1,660,915,374
Non-Current Assets			
Trade Receivables (net)	7	3,844,927	3,803,264
Finance Lease Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	208,531,949	198,420,160
Positive/(Negative) Goodwill (net)	17	19,211,454	19,729,259
Investment Properties (net)	18	-	-
Tangible Assets (net)	19	3,138,859,990	2,999,533,547
Intangible Assets (net)	20	22,222,031	8,004,043
Deferred Tax Assets	14	27,966,784	44,608,866
Other Non Current Assets	15	1,557,882	421,577
Total Non-Current Assets		3,422,195,017	3,274,520,716
TOTAL ASSETS		5,197,381,978	4,935,436,090

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

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

Consolidated Balance Sheets as of 31 December 2007 and 2006

(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

LIABILITIES	Notes	31 December 2007	31 December 2006
Current Liabilities			
Bank Loans (net)	6	294,580,526	446,817,638
Current Portion of Long Term Loans (net)	6	295,360,993	161,677,361
Obligations Under Finance Leases (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	219,559,629	196,721,743
Due to Related Parties (net)	9	24,168,696	18,432,996
Advances Received	21	13,017,656	12,456,730
Progress Payments from Ongoing Construction Contracts (net)	13	-	-
Provisions for Debts	23	21,559,585	21,156,535
Deferred Tax Liabilities	14	-	-
Other Liabilities (net)	15	72,524,064	59,879,482
Total Current Liabilities		940,771,149	917,142,485
Non-Current Liabilities			
Bank Loans (net)	6	627,703,036	642,478,835
Finance Lease Payables (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	5,724,339	23,759
Due to Related Parties (net)	9	-	-
Advances Received	21	-	-
Provisions for Debts	23	140,835,844	133,848,692
Deferred Tax Liabilities	14	138,569,928	149,750,116
Other Liabilities (net)	15	685,999	951,501
Total Non-Current Liabilities		913,519,146	927,052,903
Total Liabilities		1,854,290,295	1,844,195,388
Minority Interest	24	803,198,734	734,644,333
SHAREHOLDERS' EQUITY		2,539,892,949	2,356,596,369
Share Capital	25	1,006,222,184	423,500,000
Treasury Stock (-)	25	(40,687,973)	(620,857)
Capital Reserves	26, 27, 28	244,909,095	401,183,849
Share Premium in Excess of Par		2,181,996	2,157,676
Gain on Cancellation of Equity Shares		-	-
Effect of Business Combinations under Common Control		10,141,544	-
Revaluation Fund of Financial Assets		3,049,050	390,400
Inflation Adjustment of Equity Items		229,536,505	398,635,773
Profit Reserves	26, 27, 28	398,158,352	346,819,985
Legal Reserves		110,070,819	84,686,336
Statutory Reserves		6,408,782	5,201,257
Extraordinary Reserves		299,549,211	231,507,610
Special Reserves		-	-
Gain from Sale of Tangible Assets and Equity		-	-
Participations' Shares Transferable to Capital		-	-
Foreign Currency Translation Adjustments		(17,870,460)	25,424,782
Net Profit/(Loss) for the Period		277,899,767	199,323,396
Retained Earnings/(Accumulated Loss)	26, 27, 28	653,391,524	986,389,996
TOTAL EQUITY AND LIABILITIES		5,197,381,978	4,935,436,090

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

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

Consolidated Statements of Income for the Years Ended 31 December 2007 and 2006

(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January - 31 December 2007	1 January - 31 December 2006
Operating Income		3,227,908,897	2,761,131,883
Sales Income (net)	36	3,227,908,897	2,761,131,883
Cost of Sales (-)	36	(2,267,427,858)	(1,897,932,050)
Service Income (net)	36	-	-
Operating Income/Interest + Dividend + Rent (net)	36	-	-
Gross Operating Profit		960,481,039	863,199,833
Operating Expenses (-)	37	(598,152,387)	(565,457,145)
Net Operating Profit		362,328,652	297,742,688
Other Operating Income and Profits	38	161,694,092	64,273,487
Other Operating Expense and Losses (-)	38	(53,499,414)	(79,113,468)
Finance Income/(Expense) (net)	39	(17,439,609)	(29,981,926)
Operating Profit		453,083,721	252,920,781
Net Monetary Gain/(Loss)	40	-	-
Profit Before Minority Interest		453,083,721	252,920,781
Minority Interest (-)		(90,530,815)	(80,718,958)
Profit Before Taxation		362,552,906	172,201,823
Taxation	41	(84,653,139)	27,121,573
Net Profit/(Loss) for the Period		277,899,767	199,323,396
Earnings Per Share	42	0.2927	0.2099

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

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

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended 31 December 2007 and 2006

(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

	Effect of Business										
	Share Capital	Treasury Stock	Premium in Excess of Par	Share Combinations under Common Control	Revaluation Fund of Financial Assets	Inflation Adjustment of Equity Items	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Foreign Currency Translation Adjustments	Net Profit/(Loss) for the Period
Balance as of 1 January 2006	423,500,000	(620,857)	2,157,676	-	8,168,910	398,382,683	69,363,357	2,040,415	188,262,565	(4,395,814)	1,044,223,618
Adjustments and reclassifications	-	-	-	-	-	-	-	-	-	(6,349,707)	4,148,334
Balance as of 1 January 2006	423,500,000	(620,857)	2,157,676	-	8,168,910	398,382,683	69,363,357	2,040,415	188,262,565	(10,745,521)	1,048,371,952
- as restated											
Transfers to reserves	-	-	-	-	-	-	15,322,979	3,160,842	43,245,045	-	(61,728,866)
Change in the fair value of available for sale financial assets	-	-	-	-	(7,778,510)	-	-	-	-	-	-
Exchange differences on the translation of foreign operations	-	-	-	-	-	-	-	-	-	36,170,303	-
Effect of change in effective rates	-	-	-	-	-	253,090	-	-	-	-	(253,090)
Net income for the period	-	-	-	-	-	-	-	-	-	-	199,323,396
Balance as of 31 December 2006	423,500,000	(620,857)	2,157,676	-	390,400	398,635,773	84,686,336	5,201,257	231,507,610	25,424,782	986,389,996
Balance as of 1 January 2007	423,500,000	(620,857)	2,157,676	-	390,400	398,635,773	84,686,336	5,201,257	231,507,610	25,424,782	986,389,996
Non-cash capital increase	525,916,000	-	-	-	-	(166,840,768)	-	-	-	-	(359,075,232)
Transfers to reserves	-	-	-	-	-	-	23,384,982	738,564	76,476,545	-	98,723,305
Change in the fair value of available for sale assets	-	-	-	-	2,658,650	-	-	-	-	-	-
Exchange differences on the translation of foreign operations	-	-	-	-	-	-	-	-	-	(43,295,242)	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(63,436,295)
Effect of change in effective rates	-	-	-	-	-	-	2,468,895	468,961	-	-	(25,205,137)
Unregistered capital increase/Effect of business combinations	-	-	24,320	-	-	-	-	-	-	-	-
under common control (*)	56,806,184	(40,067,116)	-	10,141,544	-	-	-	-	-	-	4,832,049
Effect of sale of subsidiary	-	-	-	-	-	(2,258,500)	(469,394)	-	(8,434,944)	-	11,162,838
Net profit for the period	-	-	-	-	-	-	-	-	-	-	277,899,767
Balance as of 31 December 2007	1,006,222,184	(40,687,973)	2,181,996	10,141,544	3,049,050	229,536,505	110,070,819	6,408,782	299,549,211	(17,870,460)	653,391,524
											277,899,767
											2,539,892,949

(*) Following the approval of the transactions related to the Company's business combination with Cam Pazarlama A.Ş. through the transfer all of the assets and liabilities of the subsidiary in accordance with Article 451 of the Turkish Commercial Code, Articles 18, 19 and 20 of the Corporate Tax Law and the Capital Markets Board Communiqué No: I/31 "Principles of Business Combinations" in the General Assembly held on 31 December 2007, the existing capital of the Company amounting to TRY 949,416,000 has been increased to TRY 1,006,222,184 within the registered capital ceiling amount of TRY 2,000,000,000 and it was registered on 31 January 2008 upon the decision of the Board of Directors No: 84 on 31 December 2007.

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

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

Consolidated Statements of Cash Flows for the Years Ended 31 December 2007 and 2006

(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January - 31 December 2007	1 January - 31 December 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		277,899,767	199,323,396
Adjustments to reconcile net profit/(loss) to net cash provided by operating activities			
- Depreciation and amortization expenses	19-20	345,896,472	316,641,659
- Impairment of tangible assets	19	301,000	-
- Accrued exchange losses on borrowings	6	(89,688,097)	122,576,464
- Provision for employment termination benefits	23	27,821,636	22,354,102
- Change in allowance for doubtful receivables	7-10	(1,691,609)	3,022,336
- Change in allowance for diminution in value of inventories	12	(1,547,055)	5,435,122
- Change in sundry provisions	15	(1,411,854)	2,458,635
- Change in other miscellaneous income accruals	15	(8,404,149)	(4,543,653)
- Valuation of financial assets held to maturity	16	253,799	(58,831)
- Negative goodwill recognized as income	17	(2,666,210)	-
- Gain on sale of subsidiary and available for sale financial assets	38	(69,245,374)	-
- Interest income	39	(25,789,095)	(31,858,930)
- Interest expense	39	76,038,256	114,252,490
- Allowance for diminution in value of financial asset		386,077	-
- Impairment charge of goodwill	17	517,805	1,035,611
- Dividend income	38	(1,506,435)	(830,528)
- Equity pick-up (income)/loss recognized	38	(12,485,272)	(13,801,400)
- Minority interest	24	90,530,815	80,718,958
- Accrued taxation	41	84,653,107	(27,121,573)
Operating cash flows provided before changes in working capital		689,863,584	789,603,858
- Trade receivables	7	(96,295,070)	(108,961,977)
- Inventories	12	(83,723,125)	(132,516,146)
- Due from related parties	9	(7,087,794)	(9,692,988)
- Other receivables and current assets (*)		(14,566,832)	(7,676,473)
- Trade payables	7	25,358,638	31,640,460
- Due to related parties	9	6,474,417	2,745,767
- Advances received	21	709,238	6,034,080
- Other payables and expense accruals		14,328,771	17,956,401
Cash generated from operations		535,061,827	589,132,982
- Interest paid		(52,301,432)	(97,309,216)
- Taxes paid	23	(78,974,550)	(67,083,148)
- Retirement benefits paid	23	(17,359,805)	(20,813,577)
Net cash provided by operating activities		386,426,040	403,927,041

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

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

Consolidated Statements of Cash Flows for the Years Ended 31 December 2007 and 2006

(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January - 31 December 2007	1 January - 31 December 2006
CASH FLOWS FROM INVESTING ACTIVITIES			
- Changes in securities held for trading (net)	5	27,477	1,109,366
- Changes in financial assets (net)	16	(2,188,306)	(4,232,540)
- Acquisitions of subsidiary	17	(15,143,577)	-
- Acquisitions of tangible assets	19	(642,388,958)	(657,538,008)
- Acquisitions of intangible assets	20	(6,579,431)	(3,641,678)
- Proceeds from sales of tangible assets	19	77,892,803	83,287,122
- Proceeds from sales of intangible assets	20	-	29,904
- Dividend income	38	1,328,685	830,528
- Interest received		24,605,033	30,157,816
- Proceeds from sales of subsidiary	19	133,271,469	-
- Changes in other investing activities		-	12,813,244
- Exchange differences		30,175,064	(42,509,693)
Net cash used in investing activities		(398,999,741)	(579,693,939)
CASH FLOWS FROM FINANCING ACTIVITIES			
- New loans raised	6	782,540,458	683,330,997
- Repayment of borrowings	6	(751,705,399)	(379,523,812)
- Capital in kind	19	-	(57,869,886)
- Dividends paid		(63,436,295)	-
- Changes in minority interest (net)	24	(31,384,754)	(10,907,674)
Net cash (used in)/provided by financing activities		(63,985,990)	235,029,625
Net (decrease)/increase in cash and cash equivalents	4	(76,559,691)	59,262,727
Cash and cash equivalents at the beginning of the period	4	506,627,621	445,663,780
Effect of accrued exchange differences and interest on cash and cash equivalents	4	1,184,062	1,701,114
Cash and cash equivalents at the end of the period (*)	4	431,251,992	506,627,621

(*) Time deposits amounting to TRY 8,629,230 consist of time deposits with maturities over three months and Anadolu Cam Investment B.V.'s deposits blocked as cash collateral for the credit lines used by Balsand B.V. from Türkiye İş Bankası A.Ş., and this amount has been offset against the cash and cash equivalents in the current year's cash flow statement (31 December 2006: TRY 6,018,712).

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

Notes to the Financial Statements for the Year Ended 31 December 2007

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

1. Organization and Operations of the Group

Türkiye Şişe ve Cam Fabrikaları A.Ş. Group ("the Group") consists of a holding company, Türkiye Şişe ve Cam Fabrikaları A.Ş. ("the Company"), and its subsidiaries comprising of 36 companies, 2 investment in associates and 3 joint ventures.

The Group consists of five operational divisions for the management accounting purposes. These divisions are; flat glass, glassware, glass packaging, chemicals, and export-import and insurance services. The Group's core business is mainly glass production. In addition, the Group is engaged in the complementary industrial and commercial operations related to glass production and participated in various industrial and commercial companies' capital and management.

The Group was established 72 years ago by Türkiye İş Bankası A.Ş. ("İş Bankası") in Turkey, being one of the largest private commercial banks in Turkey. The shares of the Company have been publicly traded on the Istanbul Stock Exchange ("ISE") since 1986. As of the balance sheet date, İş Bankası owns 64.1% of the shares and retains the control of the Group.

Consolidated subsidiaries, joint ventures and associates:

Nature of the business, respective business segments and direct and indirect shareholding of the Group's capital of the consolidated subsidiaries are as follows:

Subsidiaries:

Company Name	Nature of Business	Country of Registration	Segment
T. Şişe ve Cam Fabrikaları A.Ş. (*)	Holding company	Turkey	Other
Trakya Cam Sanayii A.Ş. (*)	Flat glass and automotive glass	Turkey	Flat glass
Trakya Glass Bulgaria EAD.	Flat glass and glassware	Bulgaria	Flat glass
Trakya Cam Investment B.V.	Finance and investment	Netherlands	Flat glass
Çayırova Cam Sanayii A.Ş.	Figured glass production	Turkey	Flat glass
Trakya Yenişehir Cam San. A.Ş.	Flat glass production	Turkey	Flat glass
Trakya Polatlı Cam Sanayii A.Ş.	Flat glass production	Turkey	Flat glass
Trakya Glass Logistics EAD	Logistic services	Bulgaria	Flat glass
Paşabahçe Cam Sanayii ve Tic. A.Ş.	Machine made glassware	Turkey	Glassware
Paşabahçe Eskişehir Cam San. ve Tic. A.Ş.	Machine made glassware	Turkey	Glassware
Denizli Cam San. ve Tic. A.Ş. (*)	Soda-lime and crystal glassware	Turkey	Glassware
Camiş Ambalaj Sanayii A.Ş.	Paper and cardboard packaging	Turkey	Glassware
Paşabahçe Mağazaları A.Ş.	Retail chain of glassware	Turkey	Glassware
Paşabahçe Investment B.V.	Finance and investment	Netherlands	Glassware
OOO Posuda	Machine made glassware	Russia	Glassware
Anadolu Cam Sanayii A.Ş. (*)	Glass packaging	Turkey	Glass Packaging
JSC Mina	Glass packaging	Georgia	Glass Packaging
OOO Ruscam Gorohovets	Glass packaging	Russia	Glass Packaging
OJSC Ruscam Pokrovsky	Glass packaging	Russia	Glass Packaging
Balsand B.V.	Finance and investment	Netherlands	Glass Packaging
OOO Ruscam Ufa	Glass packaging	Russia	Glass Packaging
OOO Ruscam Kuban	Glass packaging	Russia	Glass Packaging
Anadolu Cam Yenişehir San. A.Ş.	Glass packaging	Turkey	Glass Packaging
Anadolu Cam Investment B.V.	Finance and investment	Netherlands	Glass Packaging
Soda Sanayii A.Ş. (*)	Soda ash production and chromium chemicals	Turkey	Chemicals
Şişecam Bulgaria Ltd.	Soda ash sales	Bulgaria	Chemicals
Cam Elyaf Sanayii A.Ş.	Glass reinforcements and polyester	Turkey	Chemicals
Camiş Madencilik A.Ş.	Glass raw materials	Turkey	Chemicals
Camiş Egypt Mining Ltd. Co.	Sand supplier	Egypt	Chemicals
Camiş Elektrik Üretim A.Ş.	Electricity production	Turkey	Chemicals
Madencilik San. ve Tic. A.Ş.	Glass raw materials	Turkey	Chemicals
Cam-ser Madencilik A.Ş.	Glass raw materials	Turkey	Chemicals
Şişecam Soda Lukavac DOO	Soda ash	Bosnia	Chemicals
Şişecam Dış Ticaret A.Ş.	Exportation	Turkey	Other
Camiş Limited	Foreign purchasing services	England	Other
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	Insurance services	Turkey	Other

(*) Companies are listed on the Istanbul Stock Exchange ("ISE").

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

Company Name	31 December 2007		31 December 2006	
	Ratio of direct ownership %	Ratio of effective ownership (*) %	Ratio of direct ownership %	Ratio of effective ownership %
Trakya Cam Sanayi A.Ş.	67.11	66.55	67.07	66.55
Trakya Glass Bulgaria EAD	100.00	75.13	100.00	73.70
Trakya Cam Investment B.V.	100.00	75.13	100.00	73.70
Çayırova Cam Sanayi A.Ş.	68.40	58.99	68.40	52.72
Trakya Yenışehir Cam San. A.Ş.	100.00	71.57	100.00	71.57
Trakya Polatlı Cam Sanayi A.Ş.	100.00	71.59	-	-
Trakya Glass Logistics EAD	100.00	75.13	100.00	73.70
Paşabahçe Cam Sanayii ve Tic. A.Ş.	99.36	95.13	99.36	90.40
Paşabahçe Eskişehir Cam San. ve Tic. A.Ş.	100.00	96.62	100.00	88.18
Denizli Cam San. ve Tic. A.Ş.	51.00	44.51	51.00	41.80
Camiş Ambalaj Sanayii A.Ş.	100.00	99.99	100.00	93.76
Paşabahçe Mağazaları A.Ş.	100.00	88.41	100.00	65.99
Paşabahçe Investment B.V.	100.00	95.13	100.00	90.40
OOO Posuda	100.00	95.13	100.00	90.40
Anadolu Cam Sanayii A.Ş.	79.81	79.16	79.81	78.44
JSC Mina	80.64	63.84	80.64	63.25
OOO Ruscam Gorohovets	99.72	40.93	99.72	40.55
OJSC Ruscam Pokrovsky	99.99	40.37	99.99	40.00
Balsand B.V.	51.00	40.37	51.00	40.00
OOO Ruscam Ufa	100.00	40.37	100.00	40.00
OOO Ruscam Kuban	51.00	40.37	-	-
Ferro Döküm Sanayi ve Tic. A.Ş. (*)	-	-	100.00	70.90
Anadolu Cam Yenışehir San. A.Ş.	100.00	82.28	100.00	81.65
Anadolu Cam Investment B.V.	51.85	41.05	51.85	40.67
Soda Sanayi A.Ş.	84.96	81.96	84.96	81.77
Şişecam Bulgaria Ltd.	100.00	81.96	100.00	81.77
Cam Elyaf Sanayi A.Ş.	98.35	89.98	98.35	74.53
Camiş Madencilik A.Ş.	21.54	18.57	21.54	17.06
Camiş Egypt Mining Ltd. Co.	99.70	18.51	99.70	17.01
Camiş Elektrik Üretimi A.Ş.	100.00	82.10	100.00	69.65
Madencilik San. ve Tic. A.Ş.	100.00	98.79	100.00	89.94
Şişecam Soda Lukavac D.O.O.	78.34	64.20	78.34	64.06
Cam-ser Madencilik A.Ş.	100.00	18.86	-	-
Cam Pazarlama A.Ş. (**)	-	-	99.67	91.82
Şişecam Dış Ticaret A.Ş.	100.00	99.95	-	-
Camiş Lojistik Hizmetleri A.Ş. (***)	-	-	69.58	28.78
Camiş Limited	100.00	98.54	100.00	94.67
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	100.00	99.86	100.00	99.81

(*) Ferro Döküm San. ve Tic. A.Ş. was sold to Metallink Metal Sanayi Yatırımları A.Ş. on 17 July 2007.

(**) Cam Pazarlama A.Ş. was taken over by T. Şişe ve Cam Fabrikaları A.Ş. on 31 December 2007

(***) Camiş Lojistik Hizmetleri A.Ş. was taken over by Trakya Cam Sanayi A.Ş. on 3 August 2007

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Joint ventures:

Company Name	Nature of Business	Country of Registration	Segment
Oxyvit Kimya San. ve Tic. A.Ş.	Vitamin K production and sales	Turkey	Chemicals
Omco İstanbul Kalıp San. A.Ş.	Glass moulds production and sales	Turkey	Glass Packaging
OOO Balkum	Sand processing and sales	Russia	Glass Packaging

Company Name	31 December 2007		31 December 2006	
	Ratio of Direct Ownership	Ratio of Effective Ownership (*)	Ratio of Direct Ownership	Ratio of Effective Ownership
	%	%	%	%
Oxyvit Kimya San. ve Tic. A.Ş.	50.00	50.00	50.00	50.00
Omco İstanbul Kalıp San. A.Ş.	50.00	50.00	50.00	50.00
OOO Balkum	50.00	50.00	50.00	50.00

Associates:

Company Name	Nature of Business	Country of Registration	Segment
OAo FormMat	Sand processing and sales	Russia	Glass Packaging
Solvay Şişecam Holding AG	Soda ash	Austria	Chemicals

Company Name	31 December 2007		31 December 2006	
	Ratio of Direct Ownership	Ratio of Effective Ownership (*)	Ratio of Direct Ownership	Ratio of Effective Ownership
	%	%	%	%
OAo FormMat	48.46	19.57	48.46	19.40
Solvay Şişecam Holding AG	25.00	20.49	23.75	19.42

The Company's address and partnership structure:

The Company is currently located at İş Kuleleri Kule 3, 4. Levent – Beşiktaş, İstanbul.

Shareholders	31 December 2007		31 December 2006	
	Share %	Share TRY	Share %	Share TRY
T. İş Bankası A.Ş.	64.107	645,062,248	66.107	279,962,603
Efes Holding A.Ş.	3.841	38,652,635	4.071	17,241,537
Trakya Cam Sanayii A.Ş.	1.568	15,773,502	0.175	744,580
Çayırova Cam Sanayii A.Ş.	1.729	17,398,596	-	-
Camış Madencilik A.Ş.	0.707	7,120,568	-	-
Cam Elyaf Sanayi A.Ş.	0.038	390,097	-	-
Paşabahçe Cam Sanayi ve Ticaret A.Ş.	0.000	5,207	-	-
Paşabahçe Eskişehir Cam San. ve Tic. A.Ş.	0.000	3	-	-
Milli Reasürans T.A.Ş.	0.000	7,250	-	-
Anadolu Hayat Emeklilik A.Ş.	0.000	3,670	-	-
Other	28.010	281,808,408	29.647	125,551,280
	100.00	1,006,222,184	100.00	423,500,000

Note: Following the approval of the transactions related to the Company's business combination with Cam Pazarlama A.Ş. through the transfer all of the assets and liabilities of the subsidiary in accordance with Article 451 of the Turkish Commercial Code, Articles 18, 19 and 20 of the Corporate Tax Law and the Capital Markets Board Communiqué No: I/31 "Principles of Business Combinations" in the General Assembly held on 31 December 2007, the existing capital of the Company amounting to TRY 949,416,000 has been increased to TRY 1,006,222,184 within the registered capital ceiling amount of TRY 2,000,000,000 and it was registered on 31 January 2008 upon the decision of the Board of Directors No: 84 on 31 December 2007.

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Details of the number of the personnel are as follows:

	31 December 2007	31 December 2006
Personnel charged by the monthly pay	5,445	5,392
Personnel charged by the hour	11,583	11,530
Total	17,028	16,922

2. Basis of the Consolidated Financial Statements

Accounting standards applied:

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

The Capital Markets Board ("the CMB") published a set of comprehensive accounting policies set out in Communiqué No: XI/25 on "The Capital Market Accounting Standards" (the "Communiqué No: XI/25"). Without revealing the declarations issued by the CMB upon Accounting Standards including financial statement, report and footnote formats in the Additional Article 1 supplementary to the Communiqué No: XI/25 and Communiqué No: XI/27 on the "Amendments upon the Capital Markets Accounting Standards" (the "Communiqué No: XI/27") published on 23 December 2004, the application of International Financial Reporting Standards ("IFRS") by companies should be in compliance with the presentation and disclosure requirements set out in the Communiqué No: XI/25. Therefore, as an alternative, the compliance with the accounting standards issued by International Accounting Standards Board ("IASB") and International Accounting Standards Committee ("IASC") will be counted as in compliance with the CMB's Accounting Standards.

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

Preparation of financial statements in hyperinflationary periods:

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

The exchange rate announced by the Turkish Central Bank as of 31 December 2007 is US Dollar 1 = TRY 1.1647, Euro 1 = TRY 1.7102 (31 December 2006: US Dollar 1 = TRY 1.4056, Euro 1 = TRY 1.8515).

Consolidation:

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group as explained in Note 1.

Entities in which the Group, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated. All significant transactions and balances between the Group and its consolidated subsidiaries are eliminated on consolidation. Shares attributable to third parties in the shareholders' equity and net profit/(loss) of the consolidated subsidiaries, which are not fully (100%) owned, are separately accounted for as minority interests in the consolidated financial statements.

Joint ventures are accounted using the proportionate consolidation method in the financial statements of the Group. Application of this method is ceased when the joint control is no longer exists in such companies. Proportionate consolidation method principally has the similar procedures as the line by line consolidation method. However, before commencing joint management consolidation transactions, balance sheet and income statement amounts of the participations subject to joint management are gathered with similar accounts in the financial statements of the Group considering the share of the Group acquired directly and/or via its subsidiaries. Subsequent to such transactions, capital and profit-loss amounts except for the figures of the main partnership are not

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included in the consolidated financial statements. Presentation of the transactions between the joint ventures and the Group are reflected to the financial statements based on the substance of the transaction. Within this context, profit earned from the transfer or sale of a non-current asset to joint ventures is considered as much as the other entrepreneurs' share.

An associate is an entity where the Group has the power to exercise significant influence over its financial and operating policies and accounted by using the equity method. Under the equity method, an associate is carried at net asset amount in the consolidated balance sheet and the share of the Group from the associate's results of operations is recognized in the statement of income. Unless net assets of the investment in associates are subject to a temporary impairment, the investment in associates is disclosed with the impaired value in the accompanying financial statements.

Under IAS 21 "The Effects of the Changes of Exchange Rates", assets and liabilities of the Group affiliates in foreign countries are translated at the closing rate at the balance sheet date. Income/loss items are translated at the average exchange rate of the period. Exchange rate differences are accounted under the foreign currency exchange differences account in Shareholders' Equity. The exchange differences are written as an income or loss for the related period.

On acquisition, assets and liabilities of the relevant subsidiaries are measured at fair value at the date of the acquisition. Minority interests are carried at the minority's proportion to the fair value of the assets and liabilities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or before 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 the other members of the Group.

Comparative information and restatement of prior period financial statements:

The Group's consolidated financial statements are prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes, and a disclosure on the related changes is made in the financial statements.

Offsetting:

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

Adoption of new and revised standards:

In the current year, the Group has adopted all of the new and revised Standards and Interpretations of the IFRS effective from 1 January 2007 issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") that are relevant to its operations except for those that contradict with the CMB'S announcement on 20 December 2004 regarding the required reporting format. The adoption of these new and revised Standard and Interpretations has resulted in changes to the Group's accounting policies in the following areas:

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

IFRS 7, "Financial instruments: Disclosures"

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

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IAS 1, "Presentation of Financial Statements"

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

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

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

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

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

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

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

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

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

3. Summary of Significant Accounting Policies

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

a. Revenue recognition:

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

Sale of goods

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

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

Rendering of services:

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

Dividend and interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend revenue from investments is recognized when the shareholders' rights to receive payment have been established.

Rental income

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

b. Inventory:

Inventories are stated at the lower of cost and net realizable value using the weighted average method. Cost comprises purchase cost and, where applicable, conversion costs and those overheads that have been incurred in bringing the inventories to their present locations and conditions.

c. Tangible assets:

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

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

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

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

Expected useful lives for tangible assets are as follows:

	Useful life
Buildings	14-50 years
Land improvements	8-50 years
Machinery and equipment	5-15 years
Vehicles	3-15 years
Furniture and fixtures	2-15 years
Leasehold improvements	4-10 years

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

d. Intangible assets:

Intangible assets acquired separately

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

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 - 5 years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they meet the definition of an intangible asset and their fair value can be measured reliably. Cost of such intangible assets is the fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

e. Impairment of tangible and intangible assets:

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

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f. Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a considerable time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned by the temporary investment of the part of the borrowing not yet used is deducted from the borrowing costs eligible for capitalization.

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

g. Financial Instruments:

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

Financial assets

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

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

Financial assets at fair value through profit or loss

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

Effective interest method

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

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

Held-to-maturity investments

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

Available for sale financial assets

Investments other than held-to-maturity debt securities and FVTPL securities are classified as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

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

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Loans and receivables

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

Impairment of financial assets

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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Other financial liabilities

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

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

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

h. Business combinations and goodwill:

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

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

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

i. Foreign currency transactions:

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

In preparing the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

i. Earnings per share:

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

j. Events after balance sheet date:

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

The Group restates its financial statements if such subsequent events arise.

k. Provisions, contingent liabilities, contingent assets:

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

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

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

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

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Onerous contracts

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

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

I. Change in accounting policies, accounting estimates and errors:

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

The Group can make changes to its accounting policies when such changes will reflect the companies financial position, performance or cash flows in a more reliable manner. When the accounting policy change affects the current and the prior period results, the change is applied retroactively as if the accounting policy was in effect.

If the application of such change affects the financial results of the following periods, the accounting policy change is applied in the period in which such change is made.

Some components of the financial statements involve some accounting estimates due to some uncertainties of the companies operations. When there are changes in the underlying assumptions, such as availability of new information or occurrence of new events, the company reviews these estimates. If the change in the accounting estimate affects just one period, the change is taken into account in the period in which the change is made. If the change in estimate affects the future periods, the change is applied prospectively.

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

m. Leasing - the Group as Lessee:

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

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

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

n. Related Parties:

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

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o. Segmental Information:

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has chosen business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns. Geographical segments have been disclosed in these consolidated financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are reportable geographical segments individually when compared with the overall consolidated financial statements (Note 33).

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 which the Group reports its primary segment information.

p. Taxation and deferred income taxes:

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

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

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

q. Employee benefits/retirement pay provision:

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

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

r. Statement of cash flows:

The Group prepares statements of cash flow as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to the developing conditions. Cash flows for the period are mainly reported depending on the investment and financial operations of the Group.

s. Discontinued operations:

Discontinued operations are part of a group which either are classified as held-for-sale or have been disposed of and whose activities and cash flow can be treated separable from the Group's whole activities and cash flows. Discontinued operations; represent separate business or geographical segment, are parts of the plans to sell or dispose thereof, or is a subsidiary acquired for selling. The Group's discontinued operations are carried at the lower of the book value of related asset and liabilities of the discontinued operations, or fair value less costs to sell (Note 35).

t. Government incentives and grants:

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

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

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

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u. Investment properties:

Investment properties that are those held to earn rentals and/or for capital appreciation are carried at cost less accumulated depreciation and any accumulated impairment losses. Carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided for an investment property on a straight line basis.

Investment properties are derecognized when they are disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Assets held under operating lease are classified as investment properties.

v. Share capital and dividends:

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

4. Cash and Cash Equivalents

	31 December 2007	31 December 2006
Cash on hand	305,201	375,957
Demand deposits	59,838,663	67,774,261
Time deposits (*)	379,680,166	444,224,296
Other liquid assets	57,192	271,819
	439,881,222	512,646,333

Time deposits

	Interest Rate (%)	Maturity	31 December 2007	31 December 2006
Currency	Interest Rate (%)	Maturity	31 December 2007	31 December 2006
EURO	4.00	January-May 2008	142,054,495	277,239,134
US Dollars	4.65-4.85	January-June 2008	175,397,881	91,771,738
TRY	17.60-18.25	January-February 2008	59,010,381	72,032,296
Other foreign currency in equivalents of TRY	3.75-5.00	January-March 2008	3,217,409	3,181,128
			379,680,166	444,224,296

(*) Anadolu Cam Investment B.V.'s time deposits amounting to TRY 2,411,025 is blocked as a cash collateral for the credit lines used by Balsand B.V. from Türkiye İş Bankası A.Ş., and this amount has been offset against the cash and cash equivalents in the current year's cash flow statement (31 December 2006: TRY 6,018,712).

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

Cash and cash equivalents for the period ended 31 December 2007 and 31 December 2006 for the consolidated cash flow statement are as follows:

	31 December 2007	31 December 2006
Liquid assets	438,697,160	510,945,219
Interest accruals	1,184,062	1,701,114
Less: Blocked and time deposits with maturities over 3 months	(8,629,230)	(6,018,712)
	431,251,992	506,627,621

5. Investments (net)

Financial assets at fair value through profit or loss	31 December 2007	31 December 2006
Mutual funds	73,521	100,998

6. Bank Loans (net)

	31 December 2007	31 December 2006
Short-term		
Short-term bank loans	294,580,526	446,817,638
Current portion of long-term bank loans and interests	295,360,993	161,677,361
Total short-term bank loans	589,941,519	608,494,999
Long-term		
Long-term bank loans	627,703,036	642,478,835
Total bank loans	1,217,644,555	1,250,973,834

Short-term and long-term bank loans are summarized below.

31 December 2007

Currency	Maturity	Interest Rate (%) (*)	Current liabilities	Non-current liabilities
US Dollars	2008-2014	Libor +0,45-4,25	131,681,068	127,447,303
EURO	2008-2016	Euribor +0,40-3,65	430,710,626	500,255,733
TRY	2008	14,00-15,00	27,549,825	-
			589,941,519	627,703,036

(*) Represents the cap and lower rates and weighted average cost of borrowing is Euro Libor+1.39, USD Libor +1.53, TRY 14.25%.

31 December 2006

Currency	Maturity	Interest Rate (%) (*)	Current liabilities	Non-current liabilities
US Dollars	2007 – 2017	Libor +0,50-4,25	140,010,679	112,707,982
EURO	2007 – 2017	Euribor +0,40-3,65	437,019,101	528,350,876
TRY	2007	15,00	31,465,219	1,419,977
			608,494,999	642,478,835

(*) Represents the cap and lower rates and weighted average cost of borrowing is Euro Libor+1.41, USD Libor +1.81, TRY 15.00%.

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The borrowings are repayable as follows:

	31 December 2007	31 December 2006
Within 1 year	589,941,519	608,494,999
Within 1-2 years	158,597,258	227,935,395
Within 2-3 years	164,504,419	145,935,622
Within 3-4 years	111,840,428	125,324,779
Within 4-5 years	83,563,762	66,439,766
5 years and after	109,197,169	76,843,273
	1,217,644,555	1,250,973,834

Collaterals given for borrowings:

	31 December 2007	31 December 2006
Guarantee bonds	283,305,663	320,022,349
Mortgages	71,689,495	76,669,908
	354,995,158	396,692,257

7. Trade Receivables and Payables (net)

Current trade receivables (net)	31 December 2007	31 December 2006
Trade receivables	568,071,621	479,199,802
Deposits and guarantees given	2,050,480	171,402
Other trade receivables	171,204	134,826
Allowance for doubtful receivables (-)	(12,477,357)	(14,207,943)
	557,815,948	465,298,087

Terms for the Group's domestic sales based on the main product lines are as follows:

Average sale term for flat glass and processed glass products is 75 days. For overdue payments exceeding the first 15 days, 1.5% of interest is charged on a monthly basis whereas 3% of interest is charged for overdue payments exceeding more than the first 15 days.

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

Sale term for automatic glassware products is 60 days and 3.5% of interest is charged for overdue payments on a monthly basis.

Average sale term for glass packaging products is 30 and 60 days. Interest rate of 1.5%, 2% and 4% for overdue payments exceeding the first 30 days, for the next 30 days, and for the overdue payments exceeding the maximum term period is charged to customers, respectively.

For intra-group sales of Soda products, sale term is on a cash basis. For other sales, average term is 20 days. For overdue payments exceeding the first 15 days and for more than the first 15 days; interest rate of 2% and 4% is charged respectively to customers on a monthly basis.

Average sale term for domestic sales of chromium products is 17 days on a foreign currency basis. Interest of 1% is charged for overdue payments on a monthly basis.

For export sales, the average term is 60 days regardless of the product line.

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

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

	2007	2006
Opening balance, 1 January	(14,207,943)	(10,946,776)
Charge for the period	(8,347,186)	(3,921,052)
Collection	10,077,772	659,885
Closing balance, 31 December	(12,477,357)	(14,207,943)

The Group retains the following collaterals for its trade receivables:

	31 December 2007	31 December 2006
Letters of guarantee	209,227,968	177,773,367
Notes and bills	10,272,831	17,104,125
Mortgages	13,086,829	13,656,015
Others	90,171	1,186,030
	232,677,799	209,719,537

Non-current trade receivables (net) Maturity	31 December 2007	31 December 2006
Trade receivables January 2008 – December 2010	2,741,686	2,851,165
Deposits and guarantees given	1,103,241	952,099
	3,844,927	3,803,264

As of 31 December 2007, TRY 46,411,184 of trade receivable amount was past due but not impaired. This relate to a various number of independent customers with no recent history of default (2006: TRY 41,606,292). The ageing analysis of trade receivable amounts is as follows:

	31 December 2007	31 December 2006
Up to 3 months	38,740,364	37,088,717
3 to 6 months	4,491,707	2,189,986
6 months and over	3,179,113	2,327,589
	46,411,184	41,606,292

Collaterals held for the trade receivables that are past due as at the balance sheet date but not impaired and trade receivables that are impaired amount to TRY 17,967,295 (2006: TRY 13,995,910).

Short-term trade payables	31 December 2007	31 December 2006
Trade payables	217,544,221	193,995,435
Deposits and guarantees received	1,736,147	2,089,102
Other trade payables	279,261	637,206
	219,559,629	196,721,743

Long-term trade payables		
Trade payables	5,706,332	-
Deposits and guarantees received	18,007	23,759
	5,724,339	23,759

8. Finance Lease Receivables and Obligations Under Finance Leases

The Group has no finance lease receivables or obligations under finance leases.

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9. Related Party Transactions (net)

T. İş Bankası A.Ş. is the main shareholder of the Group and retains the control of the Group. All significant transactions and balances between the Group and its consolidated subsidiaries are eliminated on consolidation and not disclosed in this note. Transactions amongst the Group and other related parties are disclosed below.

Deposits at T. İş Bankası A.Ş.	31 December 2007	31 December 2006
Demand deposits	49,351,074	57,007,203
Time deposits	376,324,323	441,040,890
	425,675,397	498,048,093

Loans received from T. İş Bankası A.Ş.	223,523,062	111,271,426
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Due from related parties

Paşabahçe Mağazaları B.V.	2,903,442	2,227,305
Anadolu Anonim Türk Sigorta A.Ş.	-	23,374
OOO Paşabahçe Mağazaları	127,360	153,703
Paşabahçe Mağazaları EOOD	530,390	482,375
Paşabahçe USA Inc.	256,108	344,466
Camış Menkul Değerler A.Ş.	4,933	17,558
Cromital SPA	4,834,253	4,595,326
Sudel Invest	3,058	3,309
Şişecam Shanghai Trade Co. Ltd.	587,009	1,115,540
OA FormMat	323,680	204,579
T. İş Bankası A.Ş.	3,491,072	7,314,970
İş Merkezleri Yönetim ve İşletim A.Ş.	1,534	346
Paşabahçe Yatırım ve Pazarlama A.Ş.	1,267,060	1,201,279
Sintan Kimya Sanayi ve Ticaret A.Ş.	10,330	188,542
Yatırım Finansman Yatırım Ortaklığı A.Ş.	-	7,848
Paşabahçe Glass GmbH	102,637	-
İstanbul Porselen San. A.Ş.	43,319	-
Mepa Merkezi Pazarlama A.Ş.	14,442	-
Others	10,612	3,261
	14,511,239	17,883,781

Due to related parties

İstanbul Porselen Sanayi A.Ş.	2,833,778	2,630,964
Anadolu Anonim Türk Sigorta A.Ş.	3,543,739	3,802,010
Avea İletişim Hizmetleri A.Ş.	47,150	50,424
İş Merkezleri Yönetim ve İşletim A.Ş.	404,407	302,581
Solvay Şişecam Holding A.G.	2,376,499	1,411,638
Şişecam Shanghai Trade Co. Ltd.	25,841	48,795
Paşabahçe Glass GmbH	35,131	-
Camış Menkul Değerler A.Ş.	-	11,218
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	254,841
Paşabahçe Yatırım ve Pazarlama A.Ş.	70,448	262,425
OOO Paşabahçe Mağazaları	81,086	-
Others	760,711	671,962
	10,178,790	9,446,858

Capital advances (Sudel Invest)	13,989,906	8,986,138
	24,168,696	18,432,996

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

Notes to the Financial Statements for the Year Ended 31 December 2007

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

Interest income from related parties	1 January - 31 December 2007	1 January - 31 December 2006
İstanbul Porselen Sanayi A.Ş.	2,885	293
Paşabahçe Yatırım ve Pazarlama A.Ş.	133,123	-
Paşabahçe USA Inc.	25,711	29,778
İşbank GmbH	1,023,002	1,800,518
Paşabahçe Mağazaları B.V.	252,930	-
Sintan Kimya Sanayi ve Tic. A.Ş.	1,344	26,215
T. İş Bankası A.Ş.	5,753,035	13,496,026
	7,192,030	15,352,830

Interest expense to related parties	1 January - 31 December 2007	1 January - 31 December 2006
İstanbul Porselen Sanayi A.Ş.	459,659	313,963
İşbank GmbH	361	-
T. İş Bankası A.Ş.	1,173,011	822,213
İş Finansal Kiralama A.Ş.	6,363	-
Paşabahçe USA Inc.	42,156	-
Paşabahçe Yatırım ve Pazarlama A.Ş.	288,260	-
Others	-	39
	1,969,810	1,136,215

Other income from related parties	1 January - 31 December 2007	1 January - 31 December 2006
Paşabahçe USA Inc.	-	125,012
Anadolu Anonim Türk Sigorta Şirketi	5,006,867	4,316,191
Paşabahçe Mağazaları EOOD	353,260	205,269
T. İş Bankası A.Ş.	508,544	886,208
Cromital SPA	502,365	12,072
Sintan Kimya Sanayi ve Ticaret A.Ş.	26,944	280,196
OAQ FormMat	-	70,141
Others	13,567	2,433
	6,411,547	5,897,522

Other expenses to related parties	1 January - 31 December 2007	1 January - 31 December 2006
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	426,610	361,585
Anadolu Anonim Türk Sigorta Şirketi	610,980	314,180
Anadolu Hayat Emeklilik Sigorta A.Ş.	65,104	55,398
T. İş Bankası A.Ş.	456,787	533,578
Tibaş Mensupları Munzam Sos. Güv. ve Yard. Vakfı	413,090	411,887
İş Merkezleri Yönetim ve İşletim A.Ş.	176,836	169,328
Paşabahçe USA Inc.	-	105,952
Avea İletişim Hizmetleri A.Ş.	2,383	3,013
Camiş Menkul Değerler A.Ş.	90,232	18,000
Solvay Şişecam Holding AG	14,724,797	10,557,651
Şişecam Shanghai Trade Co. Ltd.	577,264	141,848
OOO Paşabahçe Mağazaları	90,826	-
Paşabahçe Mağazaları EOOD	19,265	-
Others	7,605	87,522
	17,661,779	12,759,942

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

10. Other Receivables and Payables (net)

Other receivables (net)	31 December 2007	31 December 2006
VAT carried forward	50,066,783	39,478,666
VAT receivable arising from export sales	14,779,522	17,665,268
Business advances given	4,628,251	4,975,382
Receivables from personnel	1,657,725	2,019,360
Others	12,495,493	7,725,000
	83,627,774	71,863,676

11. Biological Assets

The Group has no biological assets in its line of activity.

12. Inventories (net)

	31 December 2007	31 December 2006
Raw materials	171,011,945	184,525,903
Work in Process	33,567,271	27,116,717
Finished goods	357,984,078	289,808,286
Trade goods	31,471,172	29,567,637
Order advances given	39,446,246	28,813,200
Other inventories	32,877,402	29,072,899
Allowance for diminution in value of inventories	(6,260,879)	(6,173,694)
	660,097,235	582,730,948

The movements of allowance for diminution in value of inventories are as follows:

	2007	2006
Opening balance, 1 January	(6,173,694)	(738,572)
Period charge	(4,560,767)	(6,107,822)
Cancelled	4,473,582	672,700
Closing balance, 31 December	(6,260,879)	(6,173,694)

13. Receivables from Ongoing Constructions Contracts and Progress Costs

None.

14. Deferred Tax Assets and Liabilities

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

	31 December 2007	31 December 2006
Deferred tax assets	27,966,784	44,608,866
Deferred tax liabilities (-)	(138,569,928)	(149,750,116)
Deferred tax liabilities (net)	(110,603,144)	(105,141,250)

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

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

Deferred tax assets/(liabilities):	31 December 2007	31 December 2006
Indexation and useful life differences of tangible and intangible assets	(189,614,928)	(195,105,957)
Provision for employment termination benefits	28,122,512	26,729,210
Unused investment incentive	27,422,602	39,174,822
Tax losses carried forward	6,912,909	11,180,876
Non-real part of capitalized finance expenses	1,792,298	3,350,160
Restatement of inventories	7,699,113	4,864,657
Other	7,062,350	4,664,982
	(110,603,144)	(105,141,250)

Movement of deferred tax liabilities:	2007	2006
Opening balance, 1 January	(105,141,250)	(196,711,704)
Effect of change in tax rate	-	74,097,547
Deferred tax offset from valuation fund on financial assets	(762,263)	-
Effect of acquisition of subsidiary	139,191	-
Effect of sale of subsidiary	996,359	-
Deferred tax charge	(5,835,181)	17,472,907
Closing balance, 31 December	(110,603,144)	(105,141,250)

15. Other Assets and Liabilities

Other current assets	31 December 2007	31 December 2006
Prepaid expenses	6,118,967	5,734,645
Income accruals	13,061,055	4,656,906
	19,180,022	10,391,551

Other non-current assets		
Prepaid expenses	1,557,882	421,577
	1,557,882	421,577

Other short-term liabilities	31 December 2007	31 December 2006
Taxes, dues and other payables	17,326,298	16,029,305
Social security premiums payable	14,388,128	21,578,982
Restructured tax	-	1,459,531
VAT payable	164,451	3,291,293
Payable to personnel	10,310,947	7,138,778
Other liabilities	7,533,044	7,392,672
Deferred revenue	21,266,470	4,774
Expense accruals	1,387,900	2,799,754
Other short-term liabilities	146,826	184,393
	72,524,064	59,879,482

Other long-term liabilities		
Deferred revenue	607,711	664,388
Other long-term liabilities	78,288	287,113
	685,999	951,501

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

Notes to the Financial Statements for the Year Ended 31 December 2007

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

16. Financial Assets (net)

	31 December 2007	31 December 2006
Unconsolidated subsidiaries	2,887,775	3,273,852
Investments in associates	115,669,697	108,576,919
Held to maturity investments	1,189,401	1,443,196
Available for sale investments	88,785,076	85,126,193
	208,531,949	198,420,160

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

	Share%	31 December 2007	Share%	31 December 2006
Şişecam China Ltd.	-	-	100.00	61,554
Mepa Merkezi Pazarlama A.Ş.	99.70	212,084	99.70	212,084
İstanbul Porselen Sanayi A.Ş.	99.87	8,576,838	99.87	8,576,838
Paşabahçe Glass GmbH	100.00	68,699	100.00	68,699
Topkapı Yatırım Holding A.Ş.	80.00	51,796	80.00	51,796
Şişecam Shanghai Trade Co. Ltd.	100.00	324,523	100.00	324,523
Paşabahçe USA Inc.	100.00	162	100.00	162
Paşabahçe Mağazaları B.V.	100.00	95,508	100.00	95,508
Cromital SPA	50.00	2,171,610	50.00	2,171,610
Paşabahçe Yatırım ve Pazarlama A.Ş.	100.00	500,000	100.00	500,000
Impairment of subsidiaries (-)		(9,113,445)		(8,788,922)
		2,887,775		3,273,852

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

Since Mepa Merkezi Pazarlama A.Ş. and İstanbul Porselen Sanayi A.Ş. are inactive companies, impairment is allocated to the amount of all their shares in the consolidated financial statements. In the current period, TRY 324,523 of allowance amount is provided for Şişecam Shanghai Trade Co. Ltd.

Investments in associates:

	Share %	31 December 2007	Share%	31 December 2006
Solvay Şişecam Holding AG	25.00	105,924,967	23.75	98,123,280
OAQ FormMat	48.46	9,744,730	48.46	10,453,639
		115,669,697		108,576,919

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

Financial information on the Group's investments in associates accounted for under the equity pick-up method is as follows:

Other short-term liabilities	31 December 2007	31 December 2006
Total assets	508,504,849	480,886,653
Total liabilities	(82,998,371)	(65,978,676)
Net assets	425,506,478	414,907,977
Group's share in net assets	106,800,451	98,974,879
Net profit for the period	50,388,409	46,990,853
Group's share in profit for the period	12,661,198	13,801,400

Held to maturity investments:

	Nominal value	Maturity	31 December 2007	31 December 2006
Eurobond	1,000,000	June 2010	1,189,401	1,443,196

Available for sale investments:

	Share %	31 December 2007	Share %	31 December 2006
Avea İletişim Hizmetleri A.Ş.	<1	86,830,954	<1	86,830,954
Trakya Yatırım Holding A.Ş. (2)	34.65	151,277,690	34.65	151,277,690
İş Factoring Finansman Hizmetleri A.Ş.	<1	4,251	<1	7,331
İş Yatırım Menkul Değerler A.Ş.(1)	1.45	4,712,998	1.79	1,707,728
İş Finansal Kiralama A.Ş.(1)	<1	1,173,893	<1	580,500
Milli Reasürans T.A.Ş.	<1	217,635	<1	216,547
İş Merkezleri Yönetim ve İşletim A.Ş.	1.92	56,053	1.92	56,053
Camış Yatırım Holding A.Ş.	<1	16,848	<1	16,848
İş Koray Tur. Orm. Mad. İnş. Tah. Tic. A.Ş.	<1	5,477	<1	5,477
Anadolu Turizm İnşaat Ticaret A.Ş.	<1	3,034	<1	3,034
UND Deniz Taşımacılığı A.Ş.	-	-	<1	116,084
UN Gemicilik San. A.Ş.	-	-	<1	129,431
UND Ro-Ro İşletmeleri A.Ş.	-	-	3.20	417,084
Kumsan Döküm Malz. San. Tic. A.Ş.	-	-	4.89	156,193
Sintan Kimya Sanayi ve Ticaret A.Ş.	21.00	1,056,000	12.00	194,249
Other		42,068		22,815
Impairment of available for sale investments .(3)		(156,611,825)		(156,611,825)
		88,785,076		85,126,193

- (1) Shares of these companies are listed on the Istanbul Stock Exchange ("ISE") and the Group has valued such equity shares under the securities available for sale investments having a cost value of TRY 2,075,578 (31 December 2006: TRY 1,897,828) at the ISE market prices. As a result of this valuation, the Group has accounted TRY 3,811,313 of valuation increase (31 December 2006: TRY 390,400) by offsetting against TRY 762,263 of deferred tax liability due to this valuation increase (31 December 2006: None) in "Valuation Fund on Financial Assets" under shareholders' equity.
- (2) Trakya Yatırım Holding A.Ş. is under the control of İş Bankası. The Group has neither material effect nor control power over this investment.
- (3) TRY 56,994,689 and TRY 99,617,136 of impairment amounts are allocated to Avea İletişim Hizmetleri A.Ş. and Trakya Yatırım Holding A.Ş., respectively.

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

Summarized financial information of joint ventures:

	31 December 2007	31 December 2006
Current assets	26,174,724	29,277,918
Non-current assets	27,218,006	28,038,320
Current liabilities	6,026,458	7,085,674
Non-current liabilities	7,925,382	9,581,468
Net assets	67,344,570	73,983,380

	1 January - 31 December 2007	1 January - 31 December 2006
Income	75,795,728	71,129,538
Expenses	(63,940,133)	(56,375,338)

Joint ventures are accounted using the proportionate consolidation method in the Group's financial statements. Proportionate consolidation method principally has similar procedures as the line by line consolidation method. However, before commencing the joint management consolidation transactions, balance sheet and income statement amounts of the participations subject to joint management are gathered with similar accounts in the financial statements of the Group considering the share of the Group acquired directly and/or via its subsidiaries. Subsequent to such transactions, capital and profit-loss amounts, except for the figures of the main partnership, are excluded from the consolidated financial statements. Financial information on the joint ventures presented above refers to all financial information in the financial statements of the afore-mentioned joint ventures.

17. Positive/(Negative) Goodwill

Positive goodwill (net)	31 December 2007	31 December 2006
Opening balance, 1 January	19,729,259	20,764,870
Impairment	(517,805)	(1,035,611)
Closing balance, 31 December	19,211,454	19,729,259

The Group acquired 1.25% shares of its subsidiary Solvay Şişecam Holding AG, in addition to 23.75% shares held formerly by the Group, from the European Bank of Reconstruction and Development ("EBRD") in consideration of US Dollars 2,098,765 (TRY 2,864,815) on 13 April 2007. The subsidiary is accounted for under the equity method prior to and as of 31 December 2007. TRY 2,466,050 of negative goodwill amount arising from the acquisition of shares of which the Group previously had measured as the fair value of TRY 5,330,865 for a consideration of TRY 2,864,815 is recognized as an income in the current year's profit and loss (Note 38).

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The Group has acquired all shares of Cam-ser Madencilik A.Ş. in February 2007 from the Gürbüz family in consideration of TRY 15,344,641. The calculation of goodwill arising from this acquisition is given below.

	Fair Value	Group's Share	Carrying Value
Cash and cash equivalents	201,064	201,064	201,064
Trade receivables and due from related parties	2,102,494	2,102,494	2,102,494
Other receivables	337,188	337,188	337,188
Inventories	1,528,993	1,528,993	1,528,993
Other current assets	31,414	31,414	31,414
Tangible assets (net)	1,124,925	1,124,925	1,124,925
Intangible assets (net)	207,760	207,760	207,760
Financial liabilities	(1,786,935)	(1,786,935)	(1,786,935)
Trade payables and due to related parties	(1,118,458)	(1,118,458)	(1,118,458)
Other liabilities (net)	(105,900)	(105,900)	(105,900)
Provisions	(252,138)	(252,138)	(252,138)
Deferred tax asset/(liability) (net)	139,191	139,191	139,191
Net asset total	2,409,598	2,409,598	2,409,598
Mining yards	-	13,135,203	13,135,203
Total net assets acquired			15,544,801
Consideration paid			15,344,641
Positive/(negative) goodwill (*)			(200,160)
Net cash paid due to acquisition of subsidiary			31 December 2006
Total cash paid			(15,344,641)
Cash and cash equivalents acquired			201,064
Net cash outflow			(15,143,577)

(*) Negative goodwill calculated for the acquisition of Cam-ser Madencilik A.Ş. amounting to TRY 200,160 in the current period accounted as an income in the other income/(loss) accounts (Note 38).

18. Investment Properties

None.

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(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

19. Tangible Assets (net)

Cost	Land improvements	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Other fixed assets	Construction in progress and advances given	Total
Opening balance, 1 January 2007	74,701,369	163,922,847	936,482,345	5,222,813,268	46,950,580	233,782,936	171,867,567	333,479,176	7,184,000,088
Transfers (*)	-	2,532,273	(2,532,260)	(376,931)	244,140	132,778	-	-	-
Effect of acquisition of subsidiary	328,345	-	225,982	1,305,347	869,371	1,401,472	-	-	4,130,517
Exchange differences	(1,035,050)	(72,673)	(21,716,687)	(50,326,047)	(1,795,852)	(1,464,614)	(2,195)	(6,363,534)	(82,776,652)
Additions	208,448	12,462,935	16,684,080	123,391,354	6,075,704	15,273,930	15,403,487	458,988,446	648,488,384
Disposals	-	(183,846)	(13,503,659)	(483,733,548)	(2,375,199)	(33,553,275)	(12,484,080)	(36,697,645)	(582,531,252)
Effect of sale of subsidiary	(2,162,562)	(617,861)	(13,587,036)	(46,240,339)	(612,180)	(3,186,713)	(3,941,415)	-	(70,348,106)
Transfers from CIP	41,849	12,630,284	122,035,739	411,767,755	1,214,137	8,862,362	24,260,089	(580,812,215)	-
Closing balance, 31 December 2007	72,082,399	190,673,959	1,024,088,504	5,178,600,859	50,570,701	221,248,876	195,103,453	168,594,228	7,100,962,979

Accumulated depreciation

Opening balance, 1 January 2007	-	(77,689,855)	(266,775,171)	(3,531,304,167)	(23,417,519)	(179,843,608)	(105,436,221)	-	(4,184,466,541)
Transfers (*)	-	(30,954)	30,954	13,381	(6,350)	(7,031)	-	-	-
Effect of acquisition of subsidiary	-	-	(31,581)	(989,140)	(604,400)	(1,380,471)	-	-	(3,005,592)
Exchange differences	-	4,083	4,831,864	12,669,645	342,475	669,595	1,138	-	18,518,800
Charge for the period	-	(9,395,458)	(20,754,032)	(256,226,735)	(6,134,364)	(15,626,797)	(34,926,562)	-	(343,063,948)
Disposals	-	33,970	7,587,113	456,177,967	1,125,957	31,773,001	10,682,655	-	507,380,663
Effect of sale of subsidiary	-	201,304	5,894,501	30,881,807	488,085	2,668,201	2,700,731	-	42,834,629
Impairment provision	-	-	(301,000)	-	-	-	-	-	(301,000)
Closing balance, 31 December 2007	-	(86,876,910)	(269,517,352)	(3,288,777,242)	(28,206,116)	(161,747,110)	(126,978,259)	-	(3,962,102,989)

Carrying amount as of 31 December 2007 72,082,399 103,797,049 754,571,152 1,889,823,617 22,364,585 59,501,766 68,125,194 168,594,228 3,138,859,990

Carrying amount as of 31 December 2006 74,701,369 86,232,992 669,707,174 1,691,509,101 23,533,061 53,939,328 66,431,346 333,479,176 2,999,533,547

(*) The Group has reviewed the tangible assets of its subsidiaries and made a reclassification among land improvements, buildings, machinery and equipment, vehicles and furniture and fixtures.

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19. Tangible Assets (net)

Cost	Land		Machinery and equipment		Vehicles	Furniture and fixture	Other fixed assets	Construction in progress and advances given	Total
Opening balance, 1 January 2006	64,291,639	157,210,958	794,292,324	4,848,270,948	32,149,752	221,661,761	129,600,218	359,948,633	6,607,426,233
Adjustment and reclassifications (*)	(2,957,174)	-	-	-	2,068,936	(2,068,936)	-	-	(2,957,174)
Adjusted opening balance,									
1 January 2006	61,334,465	157,210,958	794,292,324	4,848,270,948	34,218,688	219,592,825	129,600,218	359,948,633	6,604,469,059
Exchange differences	173,257	32,142	17,860,684	27,953,858	795,939	1,588,053	3,329	35,655,028	84,062,290
Additions	177,221	3,391,412	32,762,233	116,524,849	11,779,482	14,342,781	46,516,860	432,043,170	657,538,008
Capital in kind	12,101,913	-	6,964,471	37,300,189	249,683	-	-	1,253,630	57,869,886
Disposals	(381,474)	(94,701)	(52,238)	(151,378,580)	(5,792,168)	(7,172,796)	(11,403,806)	(43,663,392)	(219,939,155)
Transfers from CIP	1,295,987	3,383,036	84,654,871	344,142,004	5,698,956	5,432,073	7,150,966	(451,757,893)	-
Closing balance,									
31 December 2006	74,701,369	163,922,847	936,482,345	5,222,813,268	46,950,580	233,782,936	171,867,567	333,479,176	7,184,000,088
Accumulated depreciation									
Opening balance, 1 January 2006	-	(59,326,758)	(243,491,715)	(3,415,884,624)	(21,119,189)	(173,762,336)	(77,401,293)	-	(3,990,985,915)
Adjustment and reclassifications (*)	-	-	-	-	(2,300,678)	2,300,678	-	-	-
Adjusted opening balance, 1 January 2006	-	(59,326,758)	(243,491,715)	(3,415,884,624)	(23,419,867)	(171,461,658)	(77,401,293)	-	(3,990,985,915)
Exchange differences	-	(1,053)	(4,956,880)	(8,949,528)	(424,083)	(600,325)	(1,243)	-	(14,933,112)
Charge for the period	-	(18,377,312)	(18,331,544)	(222,123,738)	(4,812,024)	(13,350,706)	(38,204,223)	-	(315,199,547)
Disposals	-	15,268	4,968	115,653,723	5,238,455	5,569,081	10,170,538	-	136,652,033
Closing balance, 31 December 2006	-	(77,689,855)	(266,775,171)	(3,531,304,167)	(23,417,519)	(179,843,608)	(105,436,221)	-	(4,184,466,541)
Carrying amount as of									
31 December 2006	74,701,369	86,232,992	669,707,174	1,691,509,101	23,533,061	53,939,328	66,431,346	333,479,176	2,999,533,547
Carrying amount as of									
31 December 2005	64,291,639	97,884,201	550,800,609	1,432,386,323	11,030,564	47,899,425	52,198,925	359,948,633	2,616,440,319

(*) The Group has reviewed the tangible assets of its subsidiary OAO Pokrov Glass Plant, and made a reclassification between vehicles and furniture and fixtures. Additionally, TRY 2,957,174 of excess amount of inflation adjustment calculated in prior years related to land and land improvements is adjusted accordingly.

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

Notes to the Financial Statements for the Year Ended 31 December 2007

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

20. Intangible Assets (net)

Cost	Rights	Mine fields	Other intangible assets	Total
Opening balance, 1 January 2007	28,315,376	-	4,730,945	33,046,321
Effect of acquisition of subsidiary (Note 17)	321,388	13,135,203	-	13,456,591
Exchange differences	(46,527)	-	(16,876)	(63,403)
Additions	3,051,598	-	3,527,833	6,579,431
Disposals	(6,452,638)	-	(2,618,899)	(9,071,537)
Effect of sales of subsidiary	(123,183)	-	-	(123,183)
Closing balance, 31 December 2007	25,066,014	13,135,203	5,623,003	43,824,220

Accumulated amortization

Opening balance, 1 January 2007	(23,092,436)	-	(1,949,842)	(25,042,278)
Effect of acquisition of subsidiary	(113,627)	-	-	(113,627)
Exchange differences	5,752	-	9,952	15,704
Charge for the period	(987,675)	(868,548)	(976,301)	(2,832,524)
Disposals	6,248,850	-	80,473	6,329,323
Effect of sales of subsidiary	41,213	-	-	41,213
Closing balance, 31 December 2007	(17,897,923)	(868,548)	(2,835,718)	(21,602,189)

Carrying value as of 31 December 2007	7,168,091	12,266,655	2,787,285	22,222,031
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Cost	Rights	Mine fields	Other intangible assets	Total
Opening balance, 1 January 2006	24,779,972	-	4,632,522	29,412,494
Exchange differences	9,475	-	21,118	30,593
Additions	3,534,287	-	107,391	3,641,678
Disposals	(8,358)	-	(30,086)	(38,444)
Closing balance, 31 December 2006	28,315,376	-	4,730,945	33,046,321

Accumulated amortization

Opening balance, 1 January 2006	(21,894,860)	-	(1,704,638)	(23,599,498)
Exchange differences	(3,660)	-	(5,548)	(9,208)
Charge for the period	(1,202,155)	-	(239,957)	(1,442,112)
Disposals	8,239	-	301	8,540
Closing balance, 31 December 2006	(23,092,436)	-	(1,949,842)	(25,042,278)

Carrying value as of 31 December 2006	5,222,940	-	2,781,103	8,004,043
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21. Advances Received

	31 December 2007	31 December 2006
Advances received	13,017,656	12,456,730

22. Pension Plans

The Group has no liabilities regarding any pension plans.

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

Notes to the Financial Statements for the Year Ended 31 December 2007

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

23. Provisions

Short-term provisions:	31 December 2007	31 December 2006
Current corporate tax provision	78,817,958	64,448,881
Prepaid taxes and funds (-)	(65,602,844)	(53,244,949)
Expense provisions	7,401,217	8,945,180
Other provisions	943,254	1,007,423
	21,559,585	21,156,535

Long-term provisions:

Provision for employment termination benefits:

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits. Also, employees who are entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506.

The maximum amount of TRY 2,087.92 effective from 1 January 2008 is taken into consideration in the calculation of provision based on employment termination benefits (1 January 2007: TRY 1,960.69).

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

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

Principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2007 and 31 December 2006, provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the respective balance sheet were calculated assuming an annual inflation rate of 5% and a discount rate of 11%, the real discount rate is approximately 5.71%. (2006: in order 5%, 11% and 5.71%). The anticipated rate of forfeitures is considered.

The movement of the employment termination benefits is as follows:

	2007	2006
Opening balance, 1 January	133,848,692	132,308,167
Service cost	20,377,280	15,090,386
Effect of sales of subsidiary (-)	(3,726,817)	-
Effect of acquisition of subsidiary	252,138	-
Interest cost	7,444,356	7,263,716
Retirement pay paid	(17,359,805)	(20,813,577)
Closing balance, 31 December	140,835,844	133,848,692

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Notes to the Financial Statements for the Year Ended 31 December 2007

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

24. Minority Interest

	2007	2006
Opening balance, 1 January	734,644,333	673,819,187
Increase in minority interest during the period	17,710,139	29,140,396
Dividends paid	(48,607,049)	(49,034,208)
Effect of business combinations under common control	8,920,496	-
Minority interest on operating results of the period	90,530,815	80,718,958
Closing balance, 31 December	803,198,734	734,644,333

25. Share Capital

The structure of the share capital as at 31 December 2007 and 31 December 2006 is as follows:

Shareholders	(%)	31 December 2007	(%)	31 December 2006
T. İş Bankası A.Ş.	64.10	645,062,248	66.10	279,962,603
Efes Holding A.Ş.	3.84	38,652,635	4.07	17,241,537
Other	32.06	322,507,301	29.83	126,295,860
Historical capital	100.00	1,006,222,184	100.00	423,500,000
Inflation adjustment		-		21,121,259
Restated capital		1,006,222,184		444,621,259
Treasury stock		(40,687,973)		(620,857)
Adjusted capital		965,534,211		444,000,402

Note: Following the approval of the transactions related to the Company's business combination with Cam Pazarlama A.Ş. through the transfer all of the assets and liabilities of the subsidiary in accordance with Article 451 of the Turkish Commercial Code, Articles 18, 19 and 20 of the Corporate Tax Law and the Capital Markets Board Communiqué No: I/31 "Principles of Business Combinations" in the General Assembly held on 31 December 2007, the existing capital of the Company amounting to TRY 949,416,000 has been increased to TRY 1,006,222,184 within the registered capital ceiling amount of TRY 2,000,000,000 and it was registered on 31 January 2008 upon the decision of the Board of Directors No: 84 on 31 December 2007.

26, 27, 28. Reserves and Retained Earnings/(Losses)

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

Legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5%, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated out of dividends in excess of 5% of paid-in capital, at the rate of 10%, however, holding companies are not subject to this application.

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

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

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

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

31 December 2007	Nominal Amount	Inflation Adjustments	Adjusted Amounts
Share capital	949,416,000	-	949,416,000
Unregistered capital (*)	56,806,184	-	56,806,184
Total capital	1,006,222,184	-	1,006,222,184
Share premium in excess of par	2,181,996	1,041,616	3,223,612
Revaluation fund of financial assets	3,049,050	-	3,049,050
Effect of business combinations under common control	10,141,544	-	10,141,544
Effective rate change	-	25,273,817	25,273,817
Legal reserves	110,070,819	97,309,617	207,380,436
Statutory reserves	6,408,782	12,749,254	19,158,036
Extraordinary reserves	299,549,211	93,162,201	392,711,412
	1,437,623,586	229,536,505	1,667,160,091

(*) Following the approval of the transactions related to the Company's business combination with Cam Pazarlama A.Ş. through the transfer all of the assets and liabilities of the subsidiary in accordance with Article 451 of the Turkish Commercial Code, Articles 18, 19 and 20 of the Corporate Tax Law and the Capital Markets Board Communiqué No: I/31 "Principles of Business Combinations" in the General Assembly held on 31 December 2007, the existing capital of the Company amounting to TRY 949,416,000 has been increased to TRY 1,006,222,184 within the registered capital ceiling amount of TRY 2,000,000,000 and it was registered on 31 January 2008 upon the decision of the Board of Directors No: 84 on 31 December 2007.

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

31 December 2006	Nominal Amount	Inflation Adjustments	Adjusted Amounts
Share capital	423,500,000	20,500,402	444,000,402
Share premium in excess of par	2,157,676	3,299,800	5,457,476
Revaluation fund of financial assets	390,400	-	390,400
Effective rate change	-	253,090	253,090
Legal reserves	84,686,336	157,565,391	242,251,727
Statutory reserves	5,201,257	14,362,580	19,563,837
Extraordinary reserves	231,507,610	202,654,510	434,162,120
	747,443,279	398,635,773	1,146,079,052

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29. Foreign Currency Position

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

31 December 2007	USD 000	EURO 000	TRY equivalent of other FC	Total Equivalent of TRY
Cash and cash equivalents	158,630	76,784	24,519	316,096,877
Held to maturity investments	1,021	-	-	1,189,159
Trade receivables (net)	67,599	52,193	3,164,169	171,157,193
Bank loans	(222,485)	(411,210)	-	(962,379,622)
Trade payables (net)	(2,352)	(5,784)	(20,823)	(12,651,994)
Net foreign currency position:				(486,588,387)

31 December 2006	USD 000	EURO 000	TRY equivalent of other FC	Total Equivalent of TRY
Cash and cash equivalents	81,507	131,657	999,278	359,328,453
Held to maturity investments	1,027	-	-	1,443,551
Trade receivables (net)	41,580	59,523	14,916,994	183,568,677
Bank loans	(179,794)	(381,865)	-	(959,741,494)
Trade payables (net)	(6,274)	(3,776)	(2,674,097)	(18,484,095)
Net foreign currency position:				(433,884,908)

30. Government Grant and Incentives

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

Regardless of profit distribution, withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003.

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

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

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

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

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As per the Law No: 3218, companies authorized to operate in free zones are exempt from income and corporate tax provided that gains from these operations are limited with the license period, wages of employees working in these zones are exempt from income tax prior to 31 December 2008 and transactions related to these operations in free zones are exempt from all stamp taxes and duties prior to 31 December 2008. In addition, incomes of tax payers who are having operations in free zones are exempt from income and corporate tax until the end of the annual taxation period including the date of the full membership to the European Union.

31. Commitment and Contingencies

	31 December 2007	31 December 2006
Letters of guarantee given	24,410,805	26,513,331
Subsidiary share purchase commitment	-	3,012,233
Export commitments	294,361,548	397,753,973
Other	2,409,734	1,394,475
	321,182,087	428,674,012

The Group is involved in a lawsuit as a defendant in which US Dollars 21,158,667 of compensation amount is foreseen arising from the construction status of immovables transferred during the sales of its subsidiary in the period. The Group Management does not provide any provisions since they believe an unfavorable outcome is remote.

As of the balance sheet date, total risk of the lawsuit (including lawsuit above) filed and currently pending against the Group amounts to approximately TRY 37,110,336 (31 December 2006: TRY 10,596,895). The Group Management does not provide any provisions since they believe that an unfavorable outcome of such lawsuit is remote.

The Company is jointly and severally the guarantor of a bank loan amounting to Euro 82,972,373 used by Trakya Glass Bulgaria EAD granted by the syndication banks led by IFC.

The Company has borrowed US Dollars 140 Million (US Dollars 97.5 Million with a maturity of 1 year, US Dollars 42.5 Million with a maturity of 18 months), which will be used in export financing, from the consortium of Citibank A.Ş., ABN-AMRO Bank N.V., Calyonbank A.Ş., Fortis Bank SA/NV, HSBC Bank A.Ş., ING Bank N.V., Natexis Banques Populaires, Societe Generale S.A., West LB A.G. and Rabobank International Dublin Branch by signing the loan agreement on 10 August 2006. Euro 109,997,183 is used from the loan obtained with the afore-mentioned agreement. Trakya Cam San. A.Ş., Paşabahçe Cam San. ve Tic. A.Ş. and Anadolu Cam San. A.Ş. are the guarantors of each one-third of the total loan amount as the ultimate users.

The Company signed a loan agreement with Societe Generale S.A. amounting to Euro 20 Million for Anadolu Cam Yenişehir Sanayi A.Ş. in order to provide finance for purchasing a glass oven for glass packaging. The amount loaned has a maturity of 5 years with 2 years of non-payment period. The Company and Anadolu Cam Sanayi A.Ş. are jointly and severally the guarantors of the loan.

The Company signed a loan agreement amounting to equivalent of Euro 24 Million with a maturity of 7.5 years and no repayment within the first 2.5 years with European Bank For Reconstruction and Development ("EBRD"), ABN-Amro Bank N.V., and Calyonbank (Euro 10 Million, Euro 7 Million, Euro 7 Million respectively) in order to finance glass oven investment of Russia based subsidiary, Ruscam-UFA LCC. The Company and Anadolu Cam Sanayi A.Ş. are jointly and severally the guarantors of the loan.

A loan agreement amounting to Euro 55,000,000 was signed with European Bank For Reconstruction and Development ("EBRD") on 7 March 2007 in order to finance the R&D investments of the Group companies, and Trakya Yenişehir Cam Sanayii A.Ş.'s sixth float line and coated glasses investment. The loan has a maturity of 8 years, and no repayment has been scheduled for the first 2 years. Anadolu Cam Sanayii A.Ş., Cam Elyaf Sanayii A.Ş., Trakya Cam Sanayii A.Ş., and Paşabahçe Cam Sanayii ve Ticaret A.Ş. are jointly and severally the guarantors of the loan.

A loan agreement amounting to Euro 24,000,000 was signed with IFC and Şişecam Soda Lukavac on 20 March 2007 in order to finance the investments in Bosnia Herzegovina based soda factory. The loan has a maturity of 8 years, and no repayment has been scheduled for the first 2 years. The Company and Soda Sanayii A.Ş. are jointly and severally the guarantors of the loan.

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Soda Sanayi A.Ş., one of the Group's subsidiaries, has a construction right over its 28,010 square meters real estate, on behalf of Camiș Elektrik Üretim A.Ş. for 30 years.

Stock Holding Commitment and Reimbursement Concession:

An agreement on 25 December 2004 was signed between Trakya Glass Bulgaria EAD (the "Company"), IFC, Trakya Cam Sanayii A.Ş., Trakya Cam Investment B.V. and Paşabahçe Cam Sanayii A.Ş.

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

The Group's dues to IFC and interest and other expense reimbursement are priority loans compared to the payments in relation to the technical service agreement signed with Trakya Cam Sanayii A.Ş., Trakya Glass Bulgaria EAD and Paşabahçe Cam Sanayii A.Ş. Also dividend payments, additional investment expenditures and leasing agreements of Trakya Glass Bulgaria EAD depend on passing of a specific period of time and arriving at pre-determined financial ratios.

Commitments and contingencies related to the associates and subsidiary in the Russian Federation:

The current and future potentially radical political and economic changes in the Russian Federation, despite having improved in the current years, could potentially affect the companies operating in this country. The economic stability of the Russian Federation depends on the economic measures that will be taken by the government and the outcomes of the legal, administrative and political processes in the country. These processes are beyond the control of the companies established in the country. Consequently, the entities operating within the Russian Federation must consider risks that may not necessarily be observable in other markets. These financial statements contain the Group Management's estimations on the economic and financial positions of its subsidiaries and affiliates operating in the Russian Federation. The future economic situation of the Russian Federation might differ from the Group's expectations.

C glass oven at OOO Ruscam UFA has become operational within the year 2007. The registration procedures of this facility have not been completed as of balance sheet date, creating a potential tax exposure. The Group has not provided any provision in the accompanying consolidated financial statements since the amount of the potential liability could not be estimated reliably.

Although OAO FormMat has a potential liability relating to the restoration costs of the sand extraction site, no provision is provided in the accompanying consolidated financial statements since the amount of the related liability cannot be estimated reliably.

32. Business Combinations

During the period between 1 January - 31 December 2007, the equity shares held by the Company's subsidiaries, Camiș Madencilik A.Ş. and Çayırova Cam Sanayi A.Ş., with a carrying amount of TRY 70,871,783 (12,973,080 and 57,898,703) have been transferred to Cam Pazarlama A.Ş. in accordance with Article 19 (3) b "Partial Dissolution" of the Corporate Tax Law No: 5520, Articles No: 303 - 396 of the Turkish Commercial Code, and the Communiqué on "Rules and Principles in Partial Dissolution Transactions" of Ministry of Finance and Ministry of Industry and Commerce. Since this partial dissolution is the dissolution of entities under common control, it is not accounted for in accordance with IFRS 3 "Business Combinations".

During the period between 1 January - 31 December 2007 Trakya Cam Sanayi A.Ş. merged with Camiș Lojistik Hizmetleri ve Ticaret A.Ş. through the transfer all of the assets and liabilities of the subsidiary in accordance with Article 451 of the Turkish Commercial Code, Articles 18, 19 and 20 of the Corporate Tax Law and the Capital Markets Board Communiqué No: I/31 "Principles of Business Combinations". Since this merge is a business combination of entities under common control, it is not accounted for in accordance with IFRS 3 "Business Combinations".

During the period between 1 January - 31 December 2007 the Company merged with Cam Pazarlama A.Ş. through the transfer all of the assets and liabilities of the subsidiary in accordance with Article 451 of the Turkish Commercial Code, Articles 18, 19 and 20 of the Corporate Tax Law and the Capital Markets Board Communiqué No: I/31 "Principles of Business Combinations". Since this merge is a business combination of entities under common control, it is not accounted for in accordance with IFRS 3 "Business Combinations".

The Group acquired the 1.25% of Solvay Şişecam Holding AG shares from European Bank of Reconstruction and Development and all shares of Cam-ser Madencilik A.Ş. are held by the Gürbüz family in the current period. Detailed information related to these acquisitions is presented in note 17.

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33. Business and Geographical Segments

1 January - 31 December 2007	Glass			Consolidation		
	Flat Glass	Glassware	Packaging	Chemicals	Other	eliminations
External sales	872,627,463	811,198,463	888,319,145	648,065,857	7,697,969	-
Inter-segments sales	16,761,938	15,183,610	8,481,722	221,364,611	1,054,754,884	(1,316,546,765)
Total net sales	889,389,401	826,382,073	896,800,867	869,430,468	1,062,452,853	(1,316,546,765)
Cost of sales	(560,264,992)	(562,310,254)	(651,247,609)	(750,983,799)	(1,001,261,287)	1,258,640,083
Operating expenses	(149,785,793)	(236,970,126)	(108,749,131)	(107,621,646)	(60,182,043)	65,156,352
Operating profit/(loss)	179,338,616	27,101,693	136,804,127	10,825,023	1,009,523	7,249,670
Other operating income and profit	55,298,547	13,961,954	15,190,964	39,832,240	147,607,589	(110,197,202)
Other operating loss and expense	(11,918,910)	(17,494,797)	(22,250,682)	(21,945,194)	(385,382)	20,495,551
Finance income/(expense) (net)	(7,361,588)	4,197,879	(15,973,684)	(5,793,955)	7,491,739	-
Profit/(loss) before tax	215,356,665	27,766,729	113,770,725	22,918,114	155,723,469	(82,451,981)
Minority interest	-	-	-	-	-	(90,530,815)
Income tax expense	(40,456,343)	(8,768,630)	(25,427,775)	(101,330)	(5,705,083)	(4,193,978)
Net profit/(loss)	174,900,322	18,998,099	88,342,950	22,816,784	150,018,386	(177,176,774)
277,899,767						

Other information

Tangible and intangible asset acquisitions	175,502,785	121,500,468	228,517,739	125,972,736	3,574,087	-
Tangible and intangible assets depreciation and amortization	(92,507,938)	(80,479,373)	(111,658,471)	(58,333,727)	(2,916,963)	-
						(345,896,472)

Balance sheet information (31 December 2007)

Total assets	2,130,883,704	1,339,181,135	1,657,908,587	1,254,310,258	2,303,715,451	(3,488,617,157)
Total liabilities	586,026,130	462,288,714	622,962,924	435,549,313	702,930,449	(955,467,235)
						1,854,290,295

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

Notes to the Financial Statements for the Year Ended 31 December 2007

(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

1 January - 31 December 2006	Glass			Consolidation		
	Flat Glass	Glassware	Packaging	Chemicals	Other	eliminations
External sales	714,716,220	770,006,990	761,313,100	509,690,840	5,404,733	-
Inter-segments sales	18,549,970	18,083,280	7,815,750	188,554,150	1,287,263,600	(1,520,266,750)
Total net sales	733,266,190	788,090,270	769,128,850	698,244,990	1,292,668,333	(1,520,266,750)
Cost of sales	(451,389,860)	(534,496,033)	(570,080,260)	(578,635,447)	(1,221,898,910)	1,458,568,460
Operating expenses	(118,428,160)	(211,947,350)	(129,103,820)	(98,540,810)	(64,994,110)	57,557,105
Operating profit/(loss)	163,448,170	41,646,887	69,944,770	21,068,733	5,775,313	(4,141,185)
Other operating income and profit	17,762,894	15,313,194	13,364,208	59,472,241	138,463,621	(180,102,671)
Other operating loss and expense	(29,801,710)	(16,708,827)	(30,742,140)	(6,844,053)	(9,427,060)	14,410,322
Finance income/(expense) (net)	(12,733,680)	(15,902,390)	487,320	(6,630,440)	4,797,264	-
Profit/(loss) before tax	138,675,674	24,348,864	53,054,158	67,066,481	139,609,138	(169,833,534)
Minority interest	-	-	-	-	-	(80,718,958)
Income tax expense	26,462,200	(4,896,960)	11,072,200	16,974,300	(20,801,220)	(1,688,947)
Net profit/(loss)	165,137,874	19,451,904	64,126,358	84,040,781	118,807,918	(252,241,439)
199,323,396						
Other information						
Tangible and intangible asset acquisitions	260,172,470	103,438,760	204,131,130	149,550,890	1,756,322	-
Tangible and intangible assets depreciation and amortization	(78,036,030)	(84,720,700)	(100,201,080)	(50,662,110)	(3,021,739)	-
Balance sheet information (31 December 2006)						
Total assets	1,981,243,410	1,367,128,050	1,613,557,370	1,235,048,520	2,398,175,890	(3,659,717,150)
Total liabilities	557,538,410	496,824,150	615,494,738	391,161,870	812,044,280	(1,028,868,060)
1,844,195,388						

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Notes to the Financial Statements for the Year Ended 31 December 2007

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

Geographical Segment:

1 January - 31 December 2007	Turkey	Russia and Georgia	Europe	Other	Total	Consolidation eliminations	Consolidated
Net sales	4,334,459,760	436,202,678	290,319,072	6,454,284	5,067,435,794	(1,839,526,897)	3,227,908,897
Acquisitions of tangible and intangible assets	504,106,392	113,298,774	37,327,195	335,454	655,067,815	-	655,067,815
Total assets (31 December 2007)	7,328,321,940	538,565,060	817,401,365	1,710,770	8,685,999,135	(3,488,617,157)	5,197,381,978
1 January - 31 December 2006	Turkey	Russia and Georgia	Europe	Other	Total	Consolidation eliminations	Consolidated
Net sales	3,879,448,785	295,455,866	395,303,262	5,113,185	4,575,321,098	(1,814,189,215)	2,761,131,883
Acquisitions of tangible and intangible assets	484,774,599	101,951,671	132,139,070	184,232	719,049,572	-	719,049,572
Total assets (31 December 2006)	7,259,802,636	504,233,487	829,564,574	1,552,548	8,595,153,245	(3,659,717,155)	4,935,436,090

34. Events After the Balance Sheet Date

İş Yatırım Menkul Değerler A. Ş. is authorized for the sale of the land in Beykoz owned by Paşabahçe Cam Sanayi ve Ticaret A.Ş. through a tender. As of the balance sheet date, carrying value of the land and the buildings on the related land in Beykoz amounts to TRY 11,151,480.

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

Based on the Board of Directors meeting held on 26 March 2008, 15% of total shares of Asmaş Ağır Sanayi Makinaları A.Ş. with par value of TRY 990,000 are acquired by the Company in consideration of US Dollars 1,500,000 and also 82.53% of total shares with par value of TRY 5,447,003 are acquired by the Company's subsidiary Soda Sanayii A.Ş. in consideration of US Dollars 8,253,035 as at 31 March 2008.

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

At the Board of Directors meeting of Trakya Cam Sanayi A.Ş. held on 12 February 2008, the Board has decided to increase the registered capital ceiling from TRY 600,000,000 to TRY 1,000,000,000 and to initiate preparations in order to discuss the subject in the first available General Assembly. In this respect, the permission of the Capital Markets Board related to amendment of the Articles of Association was obtained on 13 March 2008.

At the Board of Directors meeting of Anadolu Cam Sanayi A.Ş. held on 18 February 2008, the Board has decided to increase the registered capital from TRY 315,990,691 to TRY 500,000,000.

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It is decided to increase the registered capital ceiling of Soda Sanayi A.Ş. from TRY 201,433,624 to TRY 500,000,000 and to initiate preparations in order to discuss the subject in the first available General Assembly and in this respect to get the permissions of the Capital Markets Board and other related institutions for amendment of Article 6 of the Articles of Association.

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

The existing issued capital of unconsolidated subsidiary Cromital SPA amounting to Euro 120,000 has been increased to Euro 1,120,000 by an increase of Euro 1,000,000. The amount of Euro 500,000 referring to 50% share of the Group in this increase has been paid.

With the approval of the Council of Antimonopoly of the Russian Federation, the acquisition of all the shares of the "OAO Kirishsky Stekolny Zavod" glass packaging manufacturing company for an amount of US Dollars 29,250,000 has been completed and the transfer transaction has been finalized in March 2008.

35. Discontinued Operations

There are no discontinued operations as of the balance sheet date. However, Ferro Döküm Sanayi ve Ticaret A.Ş. shares that are held by the Company and the Group's subsidiaries and accounted in the consolidated financial statements have been sold to Metallink Metal Sanayi Yatırımları A.Ş. on 17 July 2007 and the gain realized as a result of this transaction amounting to TRY 35,724,959 is accounted under other operating income and profits line of statement of income. The information related to this sale and calculation of gross gain is presented below.

	Amount TRY
Cash received	103,529,743
Net assets sold	(48,254,090)
Minority effect	(18,878,040)
Sales commissions and expenses	(672,654)
Sales profit	35,724,959

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Notes to the Financial Statements for the Year Ended 31 December 2007

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

36. Revenue

Sales	1 January - 31 December 2007	1 January -31 December 2006
Domestic sales	2,093,791,318	1,794,317,440
Export sales	1,403,525,776	1,240,761,299
Other revenues	6,302,633	21,488,008
Sales returns	(10,581,265)	(12,995,924)
Sales discounts	(173,798,875)	(179,023,805)
Other deductions from sales	(91,330,690)	(103,415,135)
	3,227,908,897	2,761,131,883
Cost of sales		
Raw materials used	(1,016,216,665)	(918,661,811)
Direct labor attributable to production	(162,296,082)	(158,491,215)
Production overheads	(398,031,487)	(297,814,868)
Depreciation and amortization expense	(286,782,294)	(244,141,656)
Change in work-in-progress inventories	4,727,744	3,545,618
Change in finished goods inventories	45,703,577	19,919,420
Cost of goods sold	(1,812,895,207)	(1,595,644,512)
Cost of merchandises sold	(428,472,516)	(270,170,107)
Cost of services rendered (*)	(10,836,454)	(8,532,698)
Cost of other revenues	(15,223,681)	(23,584,733)
	(2,267,427,858)	(1,897,932,050)

(*) Depreciation and amortization expense amount recognized as the cost of service given during the period between 1 January – 31 December 2007 is TRY 1,631,029 (31 December 2006: TRY 1,677,658).

37. Operating Expenses

	1 January - 31 December 2007	1 January - 31 December 2006
Research and development expenses	(21,249,709)	(16,755,406)
Marketing, selling and distribution expenses	(261,491,379)	(247,233,082)
General administrative expenses	(315,411,299)	(301,468,657)
	(598,152,387)	(565,457,145)

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

	1 January - 31 December 2007	1 January - 31 December 2006
Indirect material expense	(11,319,726)	(11,374,629)
Personnel expenses	(204,633,050)	(185,526,699)
Services rendered by third parties	(213,691,548)	(233,320,525)
Miscellaneous expenses	(111,024,913)	(64,412,947)
Depreciation and amortization expenses	(57,483,150)	(70,822,345)
	(598,152,387)	(565,457,145)

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38. Other Operating Income/(Expenses)

Other operating income	1 January - 31 December 2007	1 January - 31 December 2006
Dividend income	1,506,434	830,528
Commission income	1,486,725	1,216,716
Provision released	10,077,772	659,885
Gain on sales of available for sale assets and subsidiaries	69,245,374	20,270,735
Effect of the equity pick-up method (*)	12,485,272	13,801,400
Negative goodwill recognized as income	2,666,210	-
Insurance refund	24,298,674	-
Other ordinary income and profits	39,927,631	27,494,223
	161,694,092	64,273,487
Other operating expenses		
Commission expenses	(1,681,310)	(3,328,096)
Provision expense	(8,347,186)	(3,921,052)
Other ordinary expense and losses	(43,470,918)	(71,864,320)
	(53,499,414)	(79,113,468)
(*) Effect of the equity pick-up method		
Solvay Şişecam Holding	12,352,873	13,842,717
OAQ FormMat	132,399	(41,317)
	12,485,272	13,801,400

39. Finance Income/(Expense) (net)

	1 January - 31 December 2007	1 January - 31 December 2006
Interest income	25,789,095	31,858,930
Discount income	4,167,016	4,651,015
Discount expense	(3,829,650)	(7,190,190)
Foreign exchange gains	139,089,067	192,332,182
Foreign exchange losses	(106,616,881)	(137,381,373)
Interest expense	(76,038,256)	(114,252,490)
	(17,439,609)	(29,981,926)

40. Net Monetary Gain/(Loss)

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

41. Taxation on Income

Corporate Tax:

The Group is subject to Turkish corporate taxes. Tax legislation in Turkey does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes as reflected in the accompanying consolidated financial statements are calculated on a separate-entity basis.

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

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

The effective tax rate levied for 2007 is 20% (2006: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. 20% of temporary tax rate is applied during the quarterly taxation period of financial year 2007 (2006: 20%).

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 between 1 – 25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1- 25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax:

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

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments that are directly related to production facilities of the company within the scope of the investment incentive certificate. Investments without investment incentive certificates do not qualify for tax allowance. There is no withholding tax for the investment expenditures related to investment certificates obtained after 24 April 2003.

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

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

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

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

	31 December 2007	31 December 2006
Current tax provision	78,817,958	64,448,881
Prepaid taxes and dues	(65,602,844)	(53,244,949)
Tax provision in balance sheet	13,215,114	11,203,932
	1 January - 31 December 2007	1 January - 31 December 2006
Current tax provision	(78,817,958)	(64,448,881)
Deferred tax benefit/(charge)	(5,835,181)	91,570,454
Taxation in the statement of income	(84,653,139)	27,121,573
	1 January - 31 December 2007	1 January - 31 December 2006
Reconciliation of taxation		
Profit before taxation and minority interest	453,083,721	252,920,781
Effective tax rate	20%	20%
Expected taxation	(90,616,744)	(50,584,156)
Tax effects of		
- Non-deductible expenses	(21,677,809)	(11,693,753)
- Dividends and other non-taxable income	44,526,346	43,323,358
- Carry forward tax losses	(3,742,826)	(13,570,936)
- Investment incentives	(4,536,586)	13,287,592
- Effect of change in effective tax rate	-	74,097,547
- Tax effect of exempt income	36,318,046	13,031,042
- Effect of the equity pick-up method	(2,990,264)	(2,760,280)
- Consolidation adjustments	(41,759,215)	(41,211,881)
- Foreign subsidiaries subject to different tax rates	2,476,607	2,315,256
- Tax effect of domestic companies benefit from investment incentive	(2,650,694)	887,784
Taxation in the statement of income	(84,653,139)	27,121,573

42. Earnings per Share

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

	1 January - 31 December 2007	1 January - 31 December 2006
Weighted average number of shares	1,006,222,184	1,006,222,184
Less: Unregistered capital	(56,806,184)	(56,806,184)
Weighted average number of shares for dividend distribution	949,416,000	949,416,000
Net Profit	277,899,767	199,323,396
Basic earnings per share (TRY)	0.2927	0.2099

43. Statement of Cash Flow

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

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Notes to the Financial Statements for the Year Ended 31 December 2007

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

44. Other Disclosures Required to be Explained That Affect Consolidated Financial Statements Significantly or to Make Consolidated Financial Statements Clear, Understandable and Interpretable

Audited financial statements for the year ended 31 December 2007 prepared in accordance with the standards issued by the Capital Market Board are reviewed by considering the opinion of the Audit Committee and approved by the Board of Directors on 9 April 2008. The financial statements are authorized by the CFO, İbrahim Babayigit, and the Holding Accounting Manager, Mükremin Şimşek.

45. Financial Risk Management Objectives and Policies

Capital risk management

The capital structure of the Group consists of cash and cash equivalents disclosed in note 4, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 25, 26, 27 and 28. All risks attributable to capital items at cost of capital are reviewed by the top management of the Group and its main shareholder T. İş Bankası A.Ş.

Significant accounting policies

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

Categories of financial instruments

	Financial assets measured at amortized cost	Loans and receivables	Held-to- maturity financial assets	Available for sale financial assets	Other financial liabilities measured at amortized cost	Carrying amount	Fair value	Note
31 December 2007								
Cash and cash equivalents	439,881,222	-	-	-	-	439,881,222	439,881,222	4
Trade receivables	-	561,660,875	-	-	-	561,660,875	561,660,875	7
Due from related parties	-	14,511,239	-	-	-	14,511,239	14,511,239	9
Financial assets	-	-	1,189,401	88,785,076	-	89,974,477	89,974,477	16
Financial obligations								
Financial liabilities	-	-	-	-	1,217,644,555	1,217,644,555	1,217,644,555	6
Trade payables	-	-	-	-	225,283,968	225,283,968	225,283,968	7
Due to related parties	-	-	-	-	10,178,790	10,178,790	10,178,790	9
31 December 2006								
Cash and cash equivalents	512,646,333	-	-	-	-	512,646,333	512,646,333	4
Trade receivables	-	469,101,351	-	-	-	469,101,351	469,101,351	7
Due from related parties	-	17,883,781	-	-	-	17,883,781	17,883,781	9
Financial assets	-	-	1,443,196	85,126,193	-	86,569,389	86,569,389	16
Financial obligations								
Financial liabilities	-	-	-	-	1,250,973,834	1,250,973,834	1,250,973,834	6
Trade payables	-	-	-	-	196,745,502	196,745,502	196,745,502	7
Due to related parties	-	-	-	-	9,446,858	9,446,858	9,446,858	9

Financial risk management objectives

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

Market risk

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

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

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

Foreign currency risk management

Foreign currency operations expose the Group to foreign currency risks.

Foreign currency sensitivity

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

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

	USD Effect		EURO Effect	
	1 January - 31 December 2007 (i)	1 January - 31 December 2006 (i)	1 January - 31 December 2007 (ii)	1 January - 31 December 2006 (ii)
Profit/(loss) effect	224,787	(6,966,603)	(39,405,212)	(28,803,563)

(i) This is mainly attributable to the exposure to outstanding receivables and payables denominated in US Dollars as of the period-end.

(ii) This is mainly attributable to the exposure to outstanding receivables and payables denominated in Euro as of the period-end.

Interest rate risk management

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

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 0.25% basis point increase or decrease on Euribor and Libor is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If Euribor and Libor had been 0.25% points higher and all other variables were held constant, net income for the fiscal year would have been decreased by TRY 2,302,393 (31 December 2006 decrease in net profit by TRY 2,300,770). The main reason is the Group's financial liabilities with variable interest rates. In case of 0.25% decrease in the interest rates would cause the net income to increase in the same amounts for both of the periods.

Credit risk management

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

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Liquidity risk management

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

Liquidity and interest rate risk tables

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

31 December 2007

	Less than 1 month	1 month- 3 months	3 months - 1 year	1 year - 5 years	5 years and thereafter	Adjustments	Carrying amount
Financial liabilities	41,163,892	139,345,700	411,193,431	614,493,756	150,485,450	(139,037,674)	1,217,644,555
Trade payables	200,476,460	19,506,348	1,464,259	6,099,428	-	(2,262,527)	225,283,968
Due to related parties	10,178,790	-	-	-	-	-	10,178,790
	251,819,142	158,852,048	412,657,690	620,593,184	150,485,450	(141,300,201)	1,453,107,313

31 December 2006

	Less than 1 month	1 month- 3 months	3 months - 1 year	1 year - 5 years	5 years and thereafter	Adjustments	Carrying amount
Financial liabilities	49,025,120	83,414,839	493,566,253	656,450,606	99,659,308	(131,142,292)	1,250,973,834
Trade payables	167,261,959	12,435,216	18,861,400	23,759	-	(1,836,832)	196,745,502
Due to related parties	9,446,858	-	-	-	-	-	9,446,858
	225,733,937	95,850,055	512,427,653	656,474,365	99,659,308	(132,979,124)	1,457,166,194

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

Profit Distribution Proposal for the Year 2007

Dear Shareholders,

Our company profit for the fiscal year 2007 is TRY 277,899,767.

We hereby submit for your consideration and approval that 2007 net consolidated balance sheet profit in the amount of TRY 277,899,767 reported in our 2007 consolidated balance sheet drawn up in accordance with the International Financial Reporting Standards (IFRS) referred to in the Capital Markets Board of Turkey (CMB) Communiqué Serial: XI, No: 25 be retained without being distributed due to the fact that the first dividends amounting to TRY $(115.883.171 \times 0,20 =)$ 23.176.634 is less than 5% of our issued capital, within the frame of CMB's arrangements regarding profit distribution, distributable profit is computed considering the profit resulting from the consolidation of the subsidiaries, joint ventures and associates that are included in full consolidation figures, and our share of profit distributed consistent with the portion of our interest of the ones that have taken the approval of the shareholders on their distribution of profit at the Annual General Meeting or a decision on their distribution of profit have been taken out but that is to be submitted to the Annual General Meeting of shareholders for approval, plus the donations made during the fiscal year in view of the CMB decision dated 08 February 2008 and no. 4/138, and that the abovementioned net profit for the period be allocated as follows as per Article 29 of our Articles of Association:

1. Profit for the Period	362,552,906
2. Taxes Payable	(84,653,139)
3. Net Profit for the Period	277,899,767
4. First Legal Reserves	(5,292,592)
5. Amount of Distributable Profit of the Investment Subject to Consolidation for which Profit Distribution Decision is not Passed	(156,965,169)
6. Net Distributable Profit for the Period	115,642,006
7. Donations Made During the Fiscal Year	241,165
8. Net Distributable Profit for First Dividends Including Donations	115,883,171
9. Extraordinary Reserves	272,607,175

Yours sincerely,



Prof. Dr. Ahmet Kirman
Chairman and Managing Director

Türkiye Şişe ve Cam Fabrikaları A.Ş.

Board of Auditors' Report for 2007

To the General Assembly of Türkiye Şişe ve Cam Fabrikaları A.Ş.

Company Name : Türkiye Şişe ve Cam Fabrikaları A.Ş.
 Head Office : İSTANBUL
 Registered Capital : YTL 2,000,000,000
 Issued Capital : YTL 1,006,222,184
 Field of Activity : To engage in industrial and commercial activities in the glass sector and in auxiliary, complementary fields; to participate in the capital and management of all kinds of industrial and commercial establishments.

Statutory auditors' names, surnames, terms of office and whether they have a shareholding interest in the company:

İnci Önal (13 April 2007 – 25 April 2008)
 Mehtap Bingöl (13 April 2007- 25 April 2008)
 Statutory Auditors do not have a shareholding interest in the company, nor are they the employees of the company.

Number of Board of Directors Meetings Participated in and of Board of Auditors Meetings Held:

- Board of Directors meetings participated in: 10
 - Board of Auditors meetings held: 3

Scope, dates and conclusion of the examination made on the accounts, books and documents of the company

: Based on the examinations of the company's books and documents carried out on 01 February 2007, 01 August 2007 and 05 December 2007, it has been established that the books were kept in accordance with the applicable laws and generally accepted accounting principles.

Number and results of the cash counts held in the Company's pay desk pursuant to Article 353, paragraph 1, subparagraph 3 of the Turkish Commercial Code

: The pay desk of the company was checked and counted 5 times during 2007 and the findings thereof conform to the records.

Dates and results of the examinations made pursuant to Article 353, paragraph 1, subparagraph 4 of the Turkish Commercial Code :

As a result of the examinations carried out on 05 May 2007, 01 February 2007, 12 March 2007, 03 April 2007, 07 May 2007, 01 June 2007, 01 July 2007, 01 August 2007, 01 September 2007, 10 October 2007, 06 November 2007, 05 December 2007 and 02 January 2008, it has been ascertained that all types of valuable papers provided as pledge or guarantee, or entrusted to the company's pay desk for safekeeping are present and that the same conform to the records.

Complaints and irregularities received and the actions taken in relation thereto

: None were received.

We have examined the accounts and transactions of Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi for the period 01 January 2007 – 31 December 2007 with respect to their compliance with the Turkish Commercial Code, the company's articles of association, and other applicable legislation, as well as generally accepted accounting principles and standards. In our opinion, the attached balance sheet drawn up on 31 December 2007, the contents of which we acknowledge, fairly and accurately presents the company's financial status on the date, and the income statement for the period 01 January 2007 – 31 December 2007 fairly and accurately presents the operating results for the period, and the dividend distribution proposal is in compliance with the laws and the company's articles of association.

We hereby submit the balance sheet and income statement for your approval and the acquittal of the Board of Directors for your voting.


 İnci Önal

Statutory Auditors


 Mehtap Bingöl

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles

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

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

Şişecam is an industrial group that produces glass and chemicals. Producing flat glass, glassware, glass packaging and glass fiber as well as soda and chromium chemicals, Şişecam is a powerful and leading manufacturer in its field.

Due to its claim to being a global corporate entity in its field of operations, Şişecam Group's management principles are; equality, transparency, accountability and responsibility. A clear evidence of these principles is the present position of Şişecam, with its size, specialization and its highly competitive place among the Europe's and the world's leading producers of its field.

Şişecam's strengths that have brought it to its position today, its modern management, industrialism, high level of institutionalization, its focus on the market and R&D, are also the guarantee of its bright future. Şişecam Group intends to reinforce its vision of leadership in its vital geography in its operational field, with the support of principles of corporate governance.

In the period that has ended on 31 December 2007, the company has fully complied with its responsibilities towards its share and stakeholders in the framework of the principles of corporate governance. Regarding the extension of the right to information of the shareholders, a section on "Investor Relationships" is available in Turkish and English on the website www.sisecam.com. Activities that have commenced regarding risk management have been continued in this period. The details of the relevant work done in this respect are presented in the report.

SECTION 1 Shareholders

2. Shareholder Relations Unit

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

Main activities during the period are as follows;

- The replies to shareholders regarding their oral and written enquiries about the company, except for non-public material that are confidential,
- The realization of the annual general meeting of shareholders (AGM) according to legislation in force, AoA and other in-house regulations,
- The preparation of documents for the utilization of shareholders during the general meeting,
- Saving a record of voting results and sending of a report of voting results to the shareholders,
- Compliance to all matters regarding public access to information including regulations and the firms policy on information access,
- Keeping a healthy, secure and up-to-date records of shareholders.

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

Türkiye Şişe ve Cam Fabrikaları A.Ş.

Corporate Governance Principles Compliance Report

List of officers of the Shareholder Relations Unit is given below.

Name and Surname	Position/Title	Telephone	e-mail
İbrahim Babayigit	Chief Financial Officer	0212 350 38 85	ibabayigit@sisecam.com
Asuman Akman	Controlling and Accounting Director	0212 350 39 95	aakman@sisecam.com
Aytaç Mutlugüller	Treasury and Procurement Director	0212 350 34 80	amutluguller@sisecam.com
Mükremin Şimşek	Central Accounting Manager	0212 350 39 51	msimsek@sisecam.com

3. Shareholders Exercise of Rights of Access to Information

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

During the present period no written enquiry was submitted, all oral and other queries which were concentrated on capital increases, dividend distribution, and the merger and sales of investment that occurred during the reporting period, have been handled by the relevant personnel. Apart from that, regarding the extension of the right to information of the shareholders, a section on "Investor Relations" is available on the website www.sisecam.com in Turkish and English.

The request of minority shareholders from the AGM for a special auditor is regulated by legislation. Those shareholders with a minimum of 10% capital share stock can ask the AGM to appoint a special auditor to look into matters stipulated by law.

No article exists in the AoA regarding the appointment of a special auditor and no such request has been submitted during this period.

4. Information on the AGM

The AGM for 2006 was held on the 13 April 2007, with a quorum of 71.9 %. Stakeholders as well as the press attended the meeting. Calls and announcements regarding the AGM included;

- The agenda, place, date, time, proxy voting form,
- The information that the reports of the Board of Directors and of the Board of Auditors, Independent Auditor's Report, as well as the balance sheet, income statement and the Board of Directors proposal for distribution of net profit will be made available at the company's head office and website accessible at www.sisecam.com.tr for the perusal of shareholders 15 days before the AGM,
- The information that shareholders who will be unable to attend the meeting in person should have proxy statements drawn up in accord with the proxy form specimen or to obtain the proxy form specimen from the company's head office or access the same from the company's website at www.sisecam.com.tr, and that they need to submit their notarized proxy forms upon due fulfillment of other considerations set forth in the CMB Communiqué Serial: IV, No: 8,
- The information that from amongst our shareholders those whose shares are held in custody in investor accounts by Intermediary Agents before the Central Registry Agency (CRA) and who wish to participate in the AGM need to act within the frame of the provisions that are set out in the "General Assembly – Blockage" procedures regarding Rules for CRA Tasks and Transactions accessible at the CRA website http://www.mkk.com.tr/MkkComTr/tr/yayin/gen_arsiv_2005.jsp and to have their names entered into the General Assembly Blockage List. Shareholders who fail to have their names entered into the "Blockage List" of CRA may not participate in the meeting as per the law.
- The information that, as stated in the CRA's General Letter no. 294, rightful investors may not, pursuant to Provisional Article 6 of the Capital Market Law, participate in AGMs and exercise their shareholding rights unless and until they have their share certificates registered. Applications of our shareholders who have not yet performed registry of their share certificates for participation in the AGM will be taken into consideration only after registry of their share certificates. Shareholders who possess physical share certificates need to apply to Camış Menkul Değerler A.Ş. that performs registry on behalf of our company in order to have their share certificates registered.

Right to ask questions by shareholders have been practiced and duly answered by company officers. No motion has been forwarded by shareholders during the AGM.

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

Corporate Governance Principles Compliance Report

To increase attendance at the AGM, the calls have been published in the Turkish Commercial Gazette, two national dailies and the website of the company. The time for convening of the AGM is chosen especially to facilitate access regarding traffic intensity and other external factors and taken care of to hold AGMs at times of the day during which traffic is rather slow.

All AGM minutes are available on the website of the company since 2004 for the use of shareholders.

5. Voting Rights and Minority Rights

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

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

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

Each shareholder can be represented by one person in the AGM. In the case that corporate shareholders be represented by more than one person, only one of those can vote. The authorization to vote must be declared on the authorization document. Minority shares are not represented in the management. No record exists in the AoA regarding aggregate voting which is not compulsory for the company.

6. Dividend Distribution Policy and Time

In the AoA, the principle of first dividend distribution according to the ratios and amounts determined by the Capital Markets Board is accepted.

The dividend distribution suggestions brought to the attention of the AGM by the Board of Directors (BoD) take into consideration,

- a) The sensitive balance between the growth of the Company and the expectations of the shareholders
- b) The profitability of the Company
- c) National and global economic conditions

Observing the principle resolutions of the CMB and the abovementioned considerations, the BoD has accepted a dividend policy based on proposing to the AGM the distribution of dividends in cash and/or in the form of bonus shares corresponding at least to the minimum level of the distributable profit as set by the CMB.

There are no privileged shares regarding the distribution of dividends.

There is no practice of dividend distribution to founder shares, to the members of the BoD or employees stated in the AoA.

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

No reference to advance dividend payments exists in the AoA.

7. Transfer of Shares

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

SECTION II - Informing the Public and Transparency

8. Company Policy on Disclosure of Information

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

İbrahim Babayiğit (Chief Financial Officer), Asuman Akman (Director, Controlling and Accounting), Mükremin Şimşek (Central Accounting Manager) and Necat Koç (Central Accounting Assistant Manager) have been authorized to handle the communication and coordination with the Stock Exchange.

Türkiye Şişe ve Cam Fabrikaları A.Ş.

Corporate Governance Principles Compliance Report

9. Special Case Announcements

During the reporting period, 39 special case announcements have been made in accordance with the CMB Communiqué Serial:VIII, No:39 concerning "Public Disclosure of Special Cases" and 1 additional information regarding those announcements has been given as requested by the ISE. No sanctions have been applied regarding those announcements in the framework of the above mentioned Communiqué.

10. The Company Website and its Contents

An "Investor Relations" section is available on the Company's website www.sisecam.com in Turkish and English with the following content, for the use of share and stakeholders, and it's updated regularly.

- Annual reports
- List of members of the BoD and of the board of auditors
- Mid-term financial statement and independent auditor reports
- Trade records information
- Shareholding structure
- AGM agendas
- AGM minutes
- AGM participants lists
- Proxy voting form
- Updated AoA
- Explanatory document and public offering circulars
- Special case announcements

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

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

Shareholder	Share Amount	Share%
T. İş Bankası A.Ş.	645,062,248	64.107
Efes Holding A.Ş.	38,652,635	3.841
Trakya Cam Sanayii A.Ş.	15,773,502	1.568
Çayırova Cam Sanayii A.Ş.	17,398,596	1.729
Camiş Madencilik A.Ş.	7,120,568	0.707
Cam Elyaf Sanayii A.Ş.	390,097	0.038
Paşabahçe Cam Sanayii ve Ticaret A.Ş.	5,207	0.000
Paşabahçe Eskişehir Cam San. ve Tic. A.Ş.	3	0.000
Milli Reasürans T.A.Ş.	7,250	0.000
Anadolu Hayat Emeklilik A.Ş.	3,670	0.000
Others	281,808,408	28.010
	1,006,222,184	100

12. The Disclosure of Insider Persons

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

Name and Surname	Position
Gülsüm Azeri	Executive Vice President-Flat Glass
A. Taner Uz	Executive Vice President-Glassware
Teoman Yenigün	Executive Vice President-Glass Packaging
T. Ateş Kut	Executive Vice President-Chemicals
İbrahim Babayiğit	Chief Financial Officer
Kemal Ağanoğlu	Chief Risk and Internal Audit Officer
Mehmet Kara	Vice President-Strategic Planning
Yıldırım Teoman	Vice President-Research and Technology
Ali Nafiz Konuk	Vice President-Human Resources

Türkiye Şişe ve Cam Fabrikaları A.Ş.

Corporate Governance Principles Compliance Report

SECTION III - Stakeholders

13. Stakeholder Access to Information

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

14. Stakeholders Participation in Company Management

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

15. Human Resources Policy

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

16. Information on Relationship with Customers and Suppliers

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

17. Social Responsibility

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

SECTION IV- Board of Directors (BoD)

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

The BoD is composed of the following 7 members, in accordance with legislation in force and the AoA. There are two executive and five non-executive members on the BoD. The BoD does not include members qualifying as independent members as set out by the CMB Corporate Governance Principles.

Name and Surname	Position
Prof. Dr. Ahmet Kirman (*)	Chairman-Executive Member
Yusuf Ziya Toprak (**)	Vice Chairman
Ahmet Doğan Arkan (*)	Member-President
Yaşar İğdirsel (**)	Member
Erdal Aral	Member
Özgün Çınar (**)	Member
Ahmet Faruk Polatkan	Member

(*) executive member,

(**) member of Audit Committee

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

Corporate Governance Principles Compliance Report

19. The Qualities of Board Members

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

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

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

21. Risk Management and Internal Control Mechanisms

A Risk Management Unit was set up under the Risk Management and Internal Audit Department within the scope of reorganization efforts launched from the second half of 2004 to perfect "risk management processes" and our company's organizational structure. The members of the Internal Audit Unit under the Risk Management and Internal Audit Department periodically audit the compliance of all activities of the company and of its subsidiaries to laws, AoA and internal procedures, and report any faults and irregularities.

22. The Duties and Responsibilities of the Board of Directors

The duties and responsibilities of the BoD are articulated by the company AoA articles 8-15. The company is managed and represented by the BoD, which will be composed of maximum 9 people nominated from among shareholders by the general assembly of shareholders in accordance with the Turkish Commercial Code.

The BoD elects a Chairman and a Vice Chairman after each AGM. In case the Chairman or the Vice Chairman have to leave their positions for whatever reason, another selection is made. The Turkish Commercial Code Article 315 is valid.

In case the Chairman is absent, the Vice Chairman chairs the meetings. If the Vice Chairman is also absent a temporary Chairman for the meeting is elected. The date, time and agenda of the BoD meeting is set by the Chairman, this task is carried out by the Vice Chairman in his/her absence.

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

The BoD can delegate its authorities in part or in whole to one or more executive members, or to the president and managers, and it may also decide some of its members to assume functions in the company.

23. Principles of Operation of the BoD

The agenda of the BoD meetings is determined by the needs of the company, considering developments in the country or the world. 38 meetings were carried out during the period. Invitation to meetings are done by the fastest means possible that is telephone, meeting agenda and documents are sent at least one week ahead and participation provided.

A secretariat is not established reporting to the Chairman of the BoD in accordance with the CMB Corporate Governance Principles. On the other hand, activities articulated in the CMB Corporate Governance Principles Section IV, Article 2.19. are carried out, by company personnel in accordance with corporate governance principles.

Corporate Governance Principles Compliance Report

24. Doing Business with the Company and Prohibition of Competition

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

25. Ethical Rules

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

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

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

27. Financial Benefits of the BoD

All rights, benefits and remuneration for the members of the BoD, according to the company AoA, are determined by the AGM.

In the 2006 ordinary AGM of the company convened on 13 April 2007, the monthly attendance fees to be paid to the members of the BoD have been determined and publicly disclosed.

The company does not extend credits or loans to the members of the BoD, no credit is given under the name personal loan through third persons, nor are any guarantees provided such as suretyship in their favor.

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

Directory

Türkiye Şişe ve Cam Fabrikaları A.Ş.

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

Flat Glass Business

Trakya Cam Sanayii A.Ş.

Head Office

İş Kuleleri, Kule 3, 34330, 4. Levent-İstanbul-Turkey Tel: (212) 350 50 50 Fax: (212) 350 50 70

Call Center: 0800 211 08 33 www.trakyacam.com.tr

Trakya Plant

Büyükkarıştıran Mevkii, P.K. 98, 39780 Lüleburgaz-Kırklareli-Turkey Tel: (288) 400 80 00 Fax: (288) 400 77 98-99

Trakya Otocam Plant

Büyükkarıştıran Mevkii, P.K. 28, 39780 Lüleburgaz-Kırklareli-Turkey Tel: (288) 400 85 31 Fax: (288) 400 83 58

Mersin Plant

Mersin-Tarsus Organize Sanayi Bölgesi, Nacarlı Köyü Mevkii 33400 Tarsus-Mersin-Turkey Tel: (324) 676 40 70

Fax: (324) 676 40 73

Cam İşleme ve Kaplamalı Camlar Plant

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

Trakya Glass Bulgaria EAD

Flat Glass Plant

"Vabel" District Industrial Zone 7700 Targovishte-Bulgaria Tel: (359) 601 698 01 Fax: (359) 601 477 97

Processed Glass Plant

"Vabel" District Industrial Zone 7700 Targovishte-Bulgaria Tel: (359) 601 479 25 Fax: (359) 601 479 26

Trakya Logistics EAD

"Vabel" District Industrial Zone 7700 Targovishte-Bulgaria Tel: (359) 601 480 35 Fax: (359) 601 480 10

Trakya Yenişehir Cam Sanayii A.Ş.

Organize Sanayii Bölgesi 16900 Yenişehir-Bursa-Turkey Tel: (224) 280 13 15 Fax: (224) 773 27 55

Glassware Business

ARC Paşabahçe Food Service LCC

Cardinal (APFS)/ARC International 30 Corporate Drive Wayne New Jersey, 07470 USA Tel: (1) 973 628 0 900

Camiş Ambalaj Sanayii A.Ş.

Tuzla Plant

Fabrikalar Cad. No: 2, 34940 Tuzla-İstanbul-Turkey Tel: (216) 581 27 27 Fax: (216) 395 27 94

Eskişehir Plant

Organize Sanayi Bölgesi, Mümtaz Zeytinoğlu Bulvarı 26110 Eskişehir-Turkey Tel: (222) 211 46 46 Fax: (222) 236 09 48

Denizli Cam Sanayii ve Ticaret A.Ş.

Şirinköy, 20014 Denizli-Turkey Tel: (258) 295 40 00 Fax: (258) 295 42 00 www.denizlicam.com.tr

Paşabahçe Cam Sanayii ve Ticaret A.Ş.

Head Office

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

Kırklareli Plant

Büyükkarıştıran Mevkii, Muratlı Sapağı P.K. 40 39760 Lüleburgaz-Kırklareli-Turkey Tel: (288) 400 80 00 Fax: (288) 400 88 88-89

Mersin Plant

Tekke Köyü Cıvarı P.K 607, 33004 Mersin-Turkey Tel: (324) 241 70 70 Fax: (324) 454 02 16-17

Japan Office

Der Grune Hugel Kashiwagi 1F 2-5-34, Kitashinjyuku, Shinjyuku ku Tokyo 169-074 Japan Tel: (81) 3 5348 3343
k.sano.pasa@k8.dion.ne.jp

Madrid Office

C/Caleruega, 76 No.1 Oficina 2, Madrid, 28033 Spain Tel: (34) 91 383 59 28-383 54 20 Fax: (34) 91 383 59 30
mserrano@sisecam.com

Moscow Representative Office

Sredny Tishinsky Pereulok, 28/01 Moscow-Russian Federation Tel: (7) 495 777 37 39 Fax: (7) 495 777 37 39
damir@pasabahce.ru -dkurbangaleev@sisecam.com

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

Directory

Shanghai Office

RM 1106 Office Tower, Shanghai Times Square 93 Huaihai Zhong Road, Shanghai 200021, P.R. China

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Paşabahçe Eskişehir Cam Sanayii ve Ticaret A.Ş.

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

Paşabahçe Glas GmbH

Rhein Strasse 2A, D-56068 Koblenz-Germany Tel: (49) 261 303 74 40 Fax: (49) 261 303 74 74 info@pasabahce-glas.de

Paşabahçe Mağazaları A.Ş.

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OOO Ruscam

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OOO Ruscam Ufa

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Cam Elyaf Sanayii A.Ş.

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www.camelyaf.com.tr

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Camiş Madencilik A.Ş.

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www.oxyvit.com

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