PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

ANNUAL REPORT 2006

Yaşar

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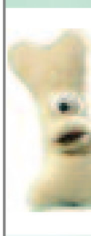
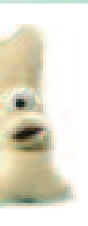
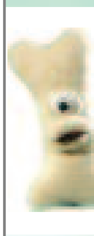




Standing (L-R) : Mehmet AKTAŞ (Member), **B. Safa OCAK** (Member)
Ata Murat KUDAT (Member), **Yılmaz GÖKOĞLU** (Member)

Seated (L-R): İdil YİĞİTBAŞI (Vice Chairperson)
Feyhan YAŞAR KALPAKLIOĞLU (Chairperson), **Taşkın TUĞLULAR** (Member)



Chairperson's Message

Dear Shareholders,

The economic developments of 2006 are satisfactory both on a global and national scale. Global GDP achieved 3.9% growth on a year-over-year basis. Attaining surprising growth levels, however, developing countries expanded 7.2%. Oil prices dropped to below the 60 USD/barrel mark, the plenitude of liquidity in the world constituted funds in the form of direct and portfolio investments for developing countries possessing potential, including our country. On another wing, the current account deficit increased in the USA, but the high savings level in Asia compensates this deficit. China's weight in the world economy started to be felt at a greater extent, while the country possessed a reserve of USD 1 trillion.

2006 was a highly successful year also for the national economy, which achieved 6% growth. Adding to the positive atmosphere stemming from the commencement of the EU integration negotiations, the developments in the banking supervision system, the tax reform and privatization initiatives were the specific factors that enhanced the productivity in the economy, while also escalating the direct foreign capital inflow to Turkey.

However, the economic actors carefully follow the current deficit continuing to float at high rates, the inflation giving the signals of an increasing trend once again, the downturn in net revenues on tourism, and the continued high level of real interest rates. Suspension of eight chapters in the negotiation process that started with the EU, loss of pace in the reforms due to such suspension, adverse developments that might occur in the Middles East, and the presidential and general elections to take place in 2007 can be regarded as potential risks with respect to political stability. Still, major volatilities are not expected owing to the strength vested in our economy by the structural reforms realized to date and by virtue of our learnings from the past.

2006 represented special significance for our Group, as well. The key financial developments of the reporting period include a long-term financing secured from international markets also owing to the Group's rating announced as "B+ outlook: stable" by the international rating agency Fitch Ratings, further strengthened structure of our consolidated balance sheet and our resulting ability to render our investment and growth plans long-term. With the launch of EU harmonization policies in our country in the forthcoming years, it is expected that unregistered production and unfair competition will lose ground, and new market opportunities will arise. Our Group constantly works on a variety of platforms for the creation of a competitive agriculture and livestock breeding policy that is in conformity and alignment with the global world.

The milk and dairy products market grows 3% on a global scale. However; production increases 2% and there is a market that needs to be filled.

It is known that Turkey's yearly milk production is about 11 million tons. 40% of the milk produced does not reach the market due to use-at-source and wastage, 25% is industrially processed and the remaining 35% is sold by street sellers. Consequently; only 25% of the total milk produced can be traced. Constantly supporting its more than 35 thousand producers for over 30 years, Pınar Süt contributes to the increase of milk production in Turkey.

In 2006, Pınar took place among the brands under "Turquality" project developed by the Foreign Trade Undersecretariat, Turkish Exporters' Assembly and the

Exporters' Association for the purpose of introducing high quality Turkish products to the global market and to establish Turkish product image across the world. Within the scope of this project, Pınar will represent Turkey and Turkish products in foreign countries.

In a research annually performed by ACNielsen market research company, Pınar was named the 4th brand Turkish consumers feel closest to them and the first brand recalled in the milk market with 34.9% in 2006. Executed in the second most comprehensive scope in Turkey following the USA and analyzing the competition in Turkey, Turkish Customer Satisfaction Index (TCSI) survey's results for the second quarter of 2006, which is carried out by KALDER, reveal that Pınar headed the beverage sector as well, in terms of customer satisfaction.

The primary goal of Pınar Süt is to achieve differentiation through high value-added products and to grow in these product groups. In 2006, the highlight was on Ezineli Beyaz and Pınar Ezine-style cheese in local delicacies, pomegranate juice, organic milk and prebiotic products. Targeting to be among the top three brands in terms of market share in all product categories Pınar is involved, Pınar Süt aims to introduce new products addressing the target children audience, to give weight to the cheese market and sustain its leadership in spreadable cheese segment in 2007. According to ACNielsen market research reports, Pınar is the market leader in long-life milk market and spreadable cheese category with respective shares of 27% and 46%, based on 2006 averages.

It is anticipated that tendency in the future world will shift even more towards safe, organic and functional products as eating and life styles evolve. Functional products market achieves 10% growth worldwide each year. The expectations from products are expanding as consumers seek extra benefits like protection against ailments, strengthening immunity, extending lifetime and fulfilling the daily vitamin intake needs in addition to good nutritional properties and good taste. In parallel, Yaşar Food Business aims to increase the share of dairy products targeting children, ready-to-eat dishes, functional and organic food within total sales in the coming years.

Ranking among Turkey's 100 major industrial establishments according to research conducted by ITO (İstanbul Chamber of Commerce) based on 2006 values, Pınar Süt achieved a year-on increase of 11% in its net sales in the reporting period, posting TRY 357 million in net turnover and USD 24.6 million in exports. Saudi Arabia, Kuwait, Bahrain, United Arab Emirates and Qatar take the lead among the export destinations of Pınar Süt. The major export product to these countries is "Pınar Labaneh", which makes it the leading brand in packaged products with 45% market share. In addition, various cheese products are exported to these countries. Apart from these countries, our products are exported to the USA, Jordan, Azerbaijan, Kazakhstan, Uzbekistan, Turkmenistan, Kosovo, Turkish Republic of Northern Cyprus, Iraq, Libya, Iran, Syria and Macedonia.

In closing I would like to share my wish that Pınar, the source of health, taste and novelties, will maintain its leadership in every aspect, remaining always adhered to our human-focused approach embracing our employees, consumers and all our stakeholders in working to achieve these targets.

Feyhan YAŞAR KALPAKLIOĞLU
Chairperson of the Board

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
Agenda for the Ordinary General Meeting dated 17 May 2007

Place of Meeting: Kemalpaşa Asfaltı No:1 Pınarbaşı/İzmir
Time of Meeting: 14:30

1. Election of the Presiding Board,
2. Authorizing the Presiding Board to sign the minutes,
3. Reading and deliberation of the Board of Directors' report; the statutory auditors' report, and the report of the independent audit firm,
4. Approval of the company's balance sheet and profit and loss statement for 2006 submitted to the Capital Markets Board of Turkey (CMB) and İstanbul Stock Exchange (ISE); individual acquittal of the members of the Board of Directors and statutory auditors of their fiduciary responsibilities,
5. Approval of the independent audit firm chosen by the Board of Directors, and of its term of service,
6. Deliberation and decision on the determination of the remuneration to be paid to the Board of Directors members,
7. Pursuant to section 14 of the company's articles of association, determination of the number of statutory auditors, election of statutory auditors and determination of terms of office for such individuals,
8. Deliberation and decision on the determination of the remuneration to be paid to statutory auditors,
9. Presentation of information to the shareholders concerning the grants and donations made in the fiscal year,
10. Deliberation and decision on the profit for the year,
11. Presentation of information to the shareholders on the company's profit distribution policies for 2007 and subsequent years,
12. Deliberation and decision on authorizing the Board of Directors for distribution of interim dividends to the shareholders to be set-off from 2007 dividends, under Article 15 of the Capital Market Law and Article 9 of the CMB Communiqué Serial: IV No: 27, and on setting-off, pursuant to the same article, interim dividends to be distributed from the extraordinary reserves of the prior year's balance sheet, in case there has not been sufficient profit or a loss has been realized, or from such amount which shall be generated by the liquidation of the guarantee obtained for interim dividends, pursuant to Article 10 of the abovementioned Communiqué, and which shall be entered as income, in case the extraordinary legal reserve is not sufficient to cover such loss,
13. Authorizing, pursuant to Articles 334-335 of the TCC, the Board of Directors,
14. Wishes,

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
2006 ANNUAL REPORT

a) Period of the Report	: 01.01.2006 - 31.12.2006
b) Commercial Title of the Company	: Pınar Süt Mamulleri Sanayii A.Ş.
Issued Capital	: TRY 44,951,051.25
Registered Capital	: TRY 80,000,000
c) Members of the Board of Directors	:

Name & Surname	Position	Term of Office
Feyhan Yaşar KALPAKLIOĞLU	Chairperson	12.05.2005 - 3 Years
İdil YİĞİTBAŞI	Vice Chairperson	12.05.2005 - 3 Years
Ata Murat KUDAT	Member	12.05.2005 - 3 Years
Taşkın TUĞLULAR	Member	12.05.2005 - 3 Years
B. Safa OCAK	Member	12.05.2005 - 3 Years
Yılmaz GÖKOĞLU	Member	12.05.2005 - 3 Years
Uray ERGUN	Member	12.05.2005 - 3 Years*

• Mr. Mehmet AKTAŞ was elected to serve until the completion of the remaining term of office for the seat vacated on the Board of Directors by Mr. Uray ERGUN's resignation dated 17 January 2006. Mr. AKTAŞ's election has been approved at the General Meeting convened on 18 May 2006.

Scope of Authority:
The chairperson and the members of the Board of Directors possess the respective authorities stipulated by the relevant articles of the Turkish Commercial Code and by sections 11 and 12 of the company's articles of association.

Members of the Board of Auditors:

Name & Surname	Date of Appointment	Term of Office
Özge ENGİN	18.05.2006	1 year
Kamil DEVECİ	18.05.2006	1 year
Nur Şule BÖLÜKOĞLU	18.05.2006	1 year (resigned on 01 October 2006)
Senem DEMİRKAN	01.10.2006	

Scope of Authority:
According to section 15 of the company's articles of association, the duties, authorities and responsibilities of statutory auditors are in conformity with the principles stipulated by the relevant articles of the Turkish Commercial Code.

d) Changes in the articles of association during the reporting period:
Section 3 titled "Purpose and Scope" of the articles of association has been modified during the reporting period.

e) Issued Capital Markets Tools:
As at 31 December 2006, the company has 1,728,000 Class A registered, 1,260,000 Class B registered and 44,948,063,250 Class C bearer shares, each with a nominal value of TRL 1,000.

f) Investments:

The company's total investments in 2006 were worth TRY 23,596,973. Out of this sum, TRY 700,145 were invested in buildings and overground structures, TRY 18,058,068 in machinery and facilities, TRY 207,028 in vehicles, TRY 4,216,977 in fixtures, TRY 222,515 in benefits, TRY 157,621 in fixed assets subject to financial leasing, and TRY 34,619 in investment in progress.

g) Production:

Capacity utilization rates

	2005 (tons)	2006 (tons)	%
Milk-Fruit Juice, Cream, Pudding	141,823	153,932	8.53
Butter, Sauce, Honey, Jam	11,056	11,252	1.77
Yogurt-Cheese	39,110	45,134	15.40
Powdered Products	2,095	2,828	34.98
Total	**194,084**	**213,145**	**9.82**

Capacity utilization rate for 2006 was 58%.

h) Sales:

Pınar Süt maintained its leadership in the dairy products sector in 2006 with 27% share in UHT milk, 65% share in Light Milk, and 46% share in spreadable cheese.

2006 exports were worth USD 24,548,622. Up 9.6% year-on, 2006 turnover reached TRY 472,875,692.

	2005 (TRY)	2006 (TRY)	%
Milk-Fruit Juice, Cream, Pudding	202,048,714	228,338,968	13.01
Butter, Sauce	49,044,384	47,224,701	-3.71
Yogurt, Cheese	156,631,670	165,315,237	5.54
Powdered Products	10,279,724	12,995,020	26.41
Other	13,435,730	19,001,766	41.42
Total	**431,440,222**	**472,875,692**	**9.60**

i) Financial Structure (IFRS Values):

		2006	2005
TOTAL LIABILITIES/TOTAL ASSETS	(%)	31,38	38,81
TOTAL LIABILITIES/SHAREHOLDERS' EQUITY	(%)	45,74	63,41
NET PROFIT MARGIN	(%)	8,00	6,91
CURRENT ASSETS/CURRENT LIABILITIES	(%)	1,53	1,35
EQUITY TURNOVER RATIO	(%)	1,49	1,46
NET FINANCING COSTS/NET SALES	(%)	3,42	3,49
NET FINANCING COSTS/SHAREHOLDERS' EQUITY	(%)	5,10	5,12

j) The Company's Finance Sources and Risk Management Policies:

The finance sources of the establishment consists of the company's shareholders' equity, loans utilized and loans from vendors. Due to the nature of its activities, the company is exposed to various financial risks including the impact of changes in exchange rates and interest rates in the lending and capital markets. The company's total risk management program focuses on the unpredictability of financial markets and is aimed at minimizing the adverse impacts upon the company's financial performance.

k) Personnel:
The company employed 701 people in average in 2006, whereas it was 713 people in 2005.

l) Senior Management:

Name & Surname	Position/Title
Ergun AKYOL	General Manager
A. Ufuk TEZER	Vice President of Financial Affairs
Nur Şule BÖLÜKOĞLU	Vice President of Supply Chain
K. Coşkun KESKİNER	Financial Affairs Director
Gülçin BAYAT	Finance Director
Erhan SAVCIGİL	İzmir Plant Director
Gürkan HEKİMOĞLU	Eskişehir Plant Director
Adnan PEYNİRCİ	External Relations, Overseas Projects & Quality Director

m) Dividend Distribution Proposal

Dear Shareholders,
At the company's Board of Directors meeting held on 26 April 2007;

The computation of the net distributable profit for the 2006 period was based on the applicable provisions of the Turkish Commercial Code (TCC), Capital Market Legislation, and the Capital Markets Board of Turkey (CMB) regulations, Corporate Tax, Income Tax and other applicable legislations, as well as on the relevant sections of the articles of association, and the net distributable profit for the period was computed to be TRY 23,779,614 resulting from the consolidated net profit for the 2006 period in the amount of TRY 28,585,921, which was drawn up in accordance with International Financial Reporting Standards and was subjected to independent audit, less the impact in the total amount of TRY 3,522,361, which is the sum of TRY 397,102 reflecting from participations that decided not to distribute dividends at their general meetings and TRY 3,125,259 from participations whose legal dividend distribution amount remained below the amount in the consolidated financial statements despite having decided to distribute dividends at their general meetings; and less first legal reserves in the amount of TRY 1,283,946 set aside pursuant to Article 466/1 of the TCC. It has been decided to lay down at the Ordinary General Meeting for approval that, from the distributable profit computed as detailed above and taking into account the donations of TRY 325,800 made during the reporting period, TRY 4,821,083 corresponding to 20% of the distributable profit as per the CMB regulations be distributed to shareholders as first dividends; that from the balance, Board of Directors allocation and personnel dividends be set aside in an amount that will not exceed the 5% ratio stipulated in the articles of association; and that, from the balance, second dividends in the amount of TRY 14,957,380 be distributed, which will -together with the first dividends (first and second dividends totaling TRY 19,778,463)- correspond to 44% of the nominal issued capital (TRY 44,951,051.25), TRY 1,933,091 be set aside as second legal reserves, and the entirety of the remaining amount be set aside as extraordinary legal reserves.

In this context, we hereby submit for your approval our proposal to pay cash dividends of TRY 0.440 gross and TRY 0.374 net for each share traded at the stock exchange and having a nominal value of TRY 1.

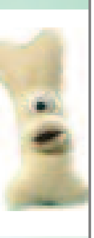
PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
BOARD OF DIRECTORS

Company History and Highlights

Founded in 1975 as the biggest production facility in the Middle East and having introduced Turkey's first long-life, healthy milk to consumers, Pınar Süt sustains its leadership with its operations performed out of its factories in İzmir and Eskişehir. Employing cutting-edge technology in the production and delivery of milk and dairy products, Pınar Süt extends constant support to its more than 35,000 producers and contributes to the increase of milk production in Turkey. With a view to have access to good quality raw milk, Pınar Süt collaborates with around 250 farms based on contracted farming model, and spends efforts to establish the total quality concept in these farms. Pınar Süt collects the best quality and freshest milk, a feature owed to its system of collecting milk twice daily under the supervision of 140 contracted veterinarians.

In a research annually performed by ACNielsen market research company, Pınar was named the 4th brand Turkish consumers feel closest to them in 2006. According to the same research, Pınar Süt is the first brand recalled in the milk market with 34.9%.

Executed in the second most comprehensive scope in Turkey following the USA and analyzing the competition in Turkey, 2006 second quarter results of the Turkish Customer Satisfaction Index (TCSI) carried out by KALDER (Turkish Society for Quality) reveal that Pınar headed the beverage sector in terms of customer satisfaction.



According to TCSI sectoral results for the second quarter of 2006, the highest level of satisfaction was achieved in the soft drinks sector. In this sector covering water, fruit juices and carbonated soft drinks, Pınar was the establishment to offer highest satisfaction to the consumers from amongst the 13 multi-brand companies measured.

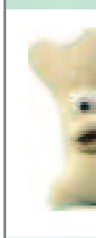
Targeting to be among the top three brands in terms of market share in all product categories it is involved, Pınar Süt aims to expand the spreadable cheese and light milk markets with marketing support, and to sustain its leadership in 2007. Pınar is the market leader with a total share of 46% in spreadable cheese category with Pınar Labne (labaneh), Pınar Krem Peynir (spreadable cheese), Pınar Beyaz (fresh cheese) and Pınar Üçgen Peynir (processed cheese), and 65% in the light milk market. Still the market leader in the long-life milk market with 27% according to ACNielsen's 2006 market research re-

ports, Pınar's goal is to grow also in functional products, enriched and flavored milks market in line with its innovation mission. It is also planned to strengthen the fruity fresh cheese and fresh pasteurized products category launched under Yopi brand name, as well as the product portfolio offered by Pınar and addressing children.

The targets for yogurt drink and sauce group include packaging relaunches and increasing growth and profitability in these groups. Closely following-up the trends in the worldwide milk sector, Pınar Süt introduces innovations also in advertising and brings the consumers together with Pınar Show and Pınar puppets advertising campaigns. The brand also succeeded in penetrating greater number of households by giving Pınar puppets to buyers as a promotion.

Sure-footedly progressing along the avenue leading to becoming a global brand, Pınar is one of the 33 brands representing Turkey abroad.

Pınar took its place among the brands under "Turquality" project developed by the Foreign Trade Undersecretariat, Turkish Exporters' Assembly and the Exporters' Association for the purpose of introducing high quality Turkish products to the global market and to establish Turkish product image across the world. Within the scope of this project that will support 33 brands, necessary financial and know-how support will be extended to the companies.



Accountable for 40% of the milk and dairy products exportation from Turkey on its own, Pınar exports predominantly to Kuwait, Bahrain, United Arab Emirates, Saudi Arabia and Qatar. Exported to these countries, Pınar Labaneh is the leading brand with 40% market share. In addition, various cheese variants are exported to different countries in addition to the ones named earlier, including the USA, Jordan, Azerbaijan, Kazakhstan, Uzbekistan, Turkmenistan, Kosovo, Iraq, Turkish Republic of Northern Cyprus, Libya, Iran, Syria and Macedonia.

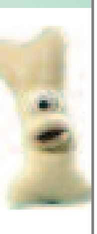
Pınar Süt's 2006 exports were worth USD 24,561,936.

Sectoral View and Trends

When the plain milk consumption across the world is considered, it is observed that the consumption is increasing in developing countries. As the plain milk market contracts in Europe and the USA, flavored, enriched, milk-based and light milks display a pronounced growth. “Health” trend in developed and developing countries led the consumers to turn towards low-fat and cholesterol-free food. This trend resulted in elevated preference on the part of semi-skimmed and skimmed milk in the milk market. It is known that about 10.5 million tons of milk is produced in our country. Only around 25-30% of the total milk production is processed in modern facilities and used in the industry. Although its share declining, 40% of the unpackaged milk market is provided from street sellers and 35% is used for making yogurt, cheese and other products at various dairy farms.

It is expected that in 2007 demand will increase for packaged products, and particularly for products directed towards children. The unregistered production in our country is expected to decrease with the impact of the European Union.

In the cheese sector, the cheese production worldwide exhibits a parallel rise to that in Turkey since 1999. While cheese consumption increased 2.4% in the European Union in the last six years, the last four years’ growth in Turkey stood at 10.7%. While per person consumption rocketed up to 14 kg in the USA in the past decade, this figure still lags behind that in Europe’s average. The top 3 countries in the world in terms of highest consumption of cheese is Greece (27,3 kg), France (24 kg) and Italy (22,9 kg). With the recent accession of Eastern European countries to the EU, expansion was achieved both in production and demand (Food and Agricultural Organization of the United Nations).



2007 is expected to see increased cheese consumption resulting from changes in life styles such as the elevated trend towards practical eating style and establishment of healthy eating habits. Turkey is the leader country in the world in terms of highest yogurt consumption per person with an annual 36 kg. The key reason behind this fact is that yogurt is consumed in plain form and as part of meals in Turkey, as opposed to the worldwide trend for eating fruit yogurt for dessert and snacks. In Turkey, fruit yogurt is used predominantly to feed children. The fruit yogurt market started to contract due to the expansion of the fruity fresh cheese category into which Pınar stepped recently. Although functional yogurt market is rather smaller at present compared with other countries, it presents a viable potential. Intense marketing activities and launches in the sector are aimed at training consumers. The changes in living trends are anticipated to trigger consumption of functional products, as well as packaged yogurt instead of unpackaged ones, in the long run.

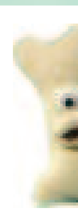
The increased number of working ladies, and the spreading of Western lifestyle and eating habits pushed up the demand for ready-to-eat dishes and ready-to-use sauces. As consumers gain enhanced penchants and seek new tastes, the demand for ketchup, mayonnaise and sauces expands.

Total Quality

Total Quality philosophy at Pınar Süt is erected on the axes of fully satisfying the consumers’ needs for high quality and safe food, and on making them feel good. Based on this reason, Pınar Süt is committed to being more than just a provider of good quality and reliable products to consumers, and strives to align its products with the social lifestyle of its target audience and to fulfill the different health-related expectations through different stages of life. In keeping with this, Pınar Süt products are differentiated in terms of their packaging, size and content, and offered to consumers in over 300 variants in total.

Work processes at Pınar Süt are structured based on the target of achieving absolute customer satisfaction. Customer feedback received through various channels including consumer service hotline, market research and questionnaires are evaluated and reflected in relevant processes, in turn improving those processes. The effectiveness of the processes are measured and enhanced through review and self-assessment activities carried out pursuant to ISO 9001:2000 Quality System Standard and EFQM Excellence Model.

Having introduced the Self-Managing Teams (SMT) model in 1993 within the scope of Total Quality initiatives, Pınar Süt still carries on with these activities. Pınar Süt's competitive strength is continuously fortified with the efforts of its customer-focused, innovative, creative, entrepreneurial and result-oriented teams that are able to make decisions quickly and take initiative. Significant cost advantages have been secured in the OCI (Operational Cost Improvement) system thanks to the committed work put in by these teams.



The HACCP programs that have been in place since 1998 to ensure the consumers' reliable food demands have been accredited in the last years. In early 2007, "ISO 22000 Food Safety Standard" certification will also be obtained. In the execution of production activities, utmost care is paid to protect the environment, ensure effective use of natural resources and achieve compliance with all laws and regulations. Pınar Süt's dedication and success in this department are evidenced in the ISO 14001:2004 Environmental Management System Certification earned.

Research & Development Activities

Pınar Süt R&D activities are carried out with a keen eye on developing and evolving consumer expectations, sectoral developments worldwide, integration with the EU and legal regulations. These activities are aligned with Pınar's mission of offering "health, taste and novelties".

Pınar Süt R&D undertakes about one thousand alternative formulation and lab tests every year in an effort to fulfill consumers' different expectations through the different stages of life, as well as numerous projects in collaboration with national and international private and public organizations, universities and institutes, and the resulting products are offered to the liking and service of consumers.

New Products

New launches in 2005 included Pınar Mayonnaise with Garlic (380 g), Yoplait Light Yogurt (Strawberry, Apricot), Pınar White Cheese with Basil and Garlic and White Cheese with Green Olives (500 g), Pınar Organic UHT Milk (500 ml and 1000 ml), Pınar Block Kashkaval Cheese (500 g), Denge Light Lactose-free UHT Milk (500 ml), and İlkadım Devam Milk (Vanilla, Banana) (1000 ml and 500 ml). The new additions to the Pınar Denge family introduced in 2005 and received with much interest from the consumers were Denge Prebiotic Milk and Prebiotic Berry Juice Mix, Mixed Peach and Orange Juice (250 ml), Denge Prebiotic Vanilla Flavored UHT Skimmed Milk (250 ml), and Pınar Denge Pro-Prebiotic Light Yogurt (Plain, Dried Plums & Linseed, Lemon & Green Tea, and Berries) (115 g). Other new products presented to the market again in late 2005 were Pınar Ezine-style Cheese (600 g), Pınar Beyaz Ezineli (200 g), and Fat-free Light Yogurt (650 g).

In the reporting period, the consumers were also introduced to Pınar Yoplait Strawberry & Cheesecake Yogurt (125 g), Pınar Yoplait Lemon Meringue Yogurt (125 g), Pınar Yoplait Apple Pie Yogurt (125 g), Butter Cream (100 g for exportation), Cream Chantilly with Vegetable Oil (1 l), Pomegranate Nectar (1 l), and Mayonnaise with Garlic (160 g).

Pınar Mutfağı (Pınar's Kitchen)

Pınar is the first company in Turkey and in the world to have opened its production facilities to investigation by its consumers 24/7 at www.pinarmutfagi.com. The consumers can view Pınar Süt production facilities live through the cameras, follow the production processes, and inquire the raw material sources of the products. Pınar Mutfağı consists of three main sections.

Live Cameras: Feeding live streaming 24 hours a day, the camera system enables real-time viewing of the production activities at the milk, fruit juice, yogurt and cheese production facilities.

Product Info: "Product Info" section at the website gives the consumers access to detailed information about Pınar Süt products. By entering the barcode and production lot numbers of any Pınar Süt branded product in the relevant fields, the supply time and origin of the raw material can be learned instantly, as well as production conditions, and the control methods employed thereon.

Production Processes: This section covers descriptions of the production process each Pınar Süt product undergoes before reaching the tables, along with detailed photos.

Social and Cultural Activities

Ever since its inception, Pınar Süt targeted to contribute to the physical and mental development of consumers with the products produced and services offered. In keeping with this target, the company continues to extend support to education, sports, culture and the arts.

Pınar Children's Theater

While supporting the mental development of children, Pınar also puts emphasis on cultural and artistic activities. Having undersigned dozens of children's plays with a professional cast and crew from the actors to the directors and stage designers every year since 1987, Pınar Children's Theater continues to conquer the hearts of thousands of children by taking the stage in schools visited in İstanbul, İzmir, Ankara, Bursa, Eskişehir and Yozgat throughout the theater season, and by touring the regions that are deprived of the opportunity to watch theater in the summertime.

Pınar Painting Contest

Pınar Painting Contest is being organized for 25 years with the aim of creating an enhanced interest in the art of painting and fine arts among primary school students and to help raise the artists of the future. Attracting the participation of children from every region of Turkey and focusing on a different theme each year since 1981, Pınar Painting Contest continues to improve the artistic skills of numerous young artists.

The jury consisting of scholars and experts evaluated the paintings received from all 7 geographical regions of Turkey and the 50 young artists selected this year were awarded with a one-week art camp at İstanbul Museum of Painting and Art under the supervision of the famous artist Mehmet Güleryüz.

Pınar KSK

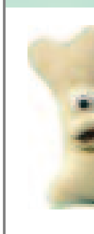
Pınar sponsors the basketball team competing in the Turkish Premier Basketball League

under the name Pınar Karşıyaka since 1998 on the basis of advertising. Every year, almost one thousand children are provided with the opportunity to engage in sports activities at Çiğli Selçuk Yaşar Facilities. In 2005, Pınar Karşıyaka was a finalist in the Turkey Cup and finished the Turkish Premier Basketball League in 5th place.

Pınar Stars and Juniors Basketball Championships
Supporting basketball for the physical development of children and youngsters, Pınar was the major sponsor of the boys' and girls' competitions within the scope of the Stars and Juniors Basketball Championships organized nationwide by the Ministry of Education in 2006. Successful athletes get the chance to play in Pınar KSK basketball team.

Cooperation between TÜSİAD-MEB and Pınar
Extending support to the pilot project for expanding preschool education developed by TÜSİAD (Turkish Industrialists' and Businessmen's Association), Pınar was involved in a project that covered supplying the aliments for 203 pre-K classes in İstanbul and the equipping of 17 pre-K classes. Within the scope of the alimentary support, Pınar Süt started to provide the milk need of 4,312 students in pre-K classes. Pınar also supports the Hürriyet newspaper's Women's Club since early 2006.

Publications



Yaşam Pınarım Magazine
The magazine establishes a bond between Pınar and its consumers, business partners, academic and bureaucratic network with its distinctive style and content since 2004.

Pınar Bulletin
Published quarterly and addressing the producers, Pınar Bulletin is a key reference for farmers engaged in milch animal breeding.

Fair and Congress Participations
Pınar Süt took part in the İzmir International Fair, 50th National Pediatric Congress, 43rd Turkish Pediatric Congress, 5th International Congress of Nutrition and Dietetics in 2006. The company was the congress sponsor at the Quality Congress organized by the Turkish Society for Quality, and the major sponsor of the "In Search of Excellence Symposium" organized by İzmir Society for Quality.

Human Resources
Sustaining its leadership in every track it competes in by presenting healthy, high quality and delicious products, Pınar Süt's approach to the human resources is spelled out in two words: PEOPLE FIRST

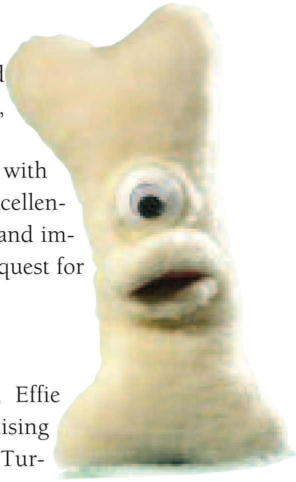
It is the basic mission of Pınar Süt Human Resources to effectively determine the need for, and the profile of, the human resource that make up the critical competitive edge for the businesses of today, to retain intellectual capital, and to improve employee performance so as to improve corporate performance.

Having achieved its targets with the commitment of its 701 employees, Pınar Süt's targets in its motto PEOPLE FIRST are as follows:
• Pursuing competency-based recruitment process in line with the principles of "placing the right person in the right position" and "giving priority to promotion from within",

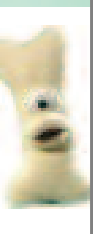
• While following the employees' personal development, career planning, remuneration and rewarding processes on one hand, producing the infrastructure of the organizational succession processes as a corporation, starting from the performance appraisal system aiming alignment of company goals and personal targets,

• Encouraging employees to improve themselves and also to communicate their criticisms and suggestions directed towards enhancing existing processes through various incentives such as the Productivity Contest and Operational Cost Improvement System,

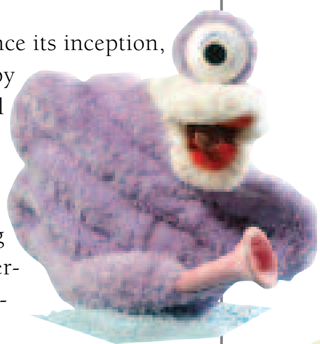
• Seeking the employees' opinions and ideas through "Employee Opinion Questionnaires" administered annually, and enhancing employee satisfaction by way of action plans devised accordingly,



• Making the employees feel that they are the valued and important members of a big family through collective, responsible and supportive HR implementations.
All efforts spent in line with these targets are supported with periodic self-assessments performed in the light of the excellence model that back up the identification of our strengths and improvement areas and in realizing necessary actions in our quest for quality.



Awards and Certificates
Prevailing over 11 nominees, Pınar won the Golden Effie Award 2007 in Basic Food Category at the Effie Advertising Efficacy Contest of Turkey organized biennially by the Turkish Association of Advertising Agencies and Advertisers' Association.

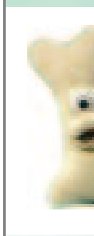


Continuing to be the leading brand in the food sector in Turkey since its inception, Pınar received awards from respected organizations also in 2006, by virtue of its production standards and advanced technology, as well as of its innovative approach that aims unprecedented initiatives.

In 2005, İzmir Chamber of Commerce awarded Pınar Süt with golden medal for its contribution to national economy by declaring high net commercial profit and for its efforts and achievements in services earning foreign currency for the country, and with golden medal for its taxpaying performance.

EBSO (Aegean Region Chamber of Industry) named Pınar Süt the 3rd company among highest tax-payers in all sectors, 1st company among exporters in the food business, 2nd company among highest investors, and 3rd company among highest employment providers, and also awarded the company for its uninterrupted exportation for the past 10 years, and for its contribution to the regional economy by creating prestigious brands.

In addition, Pınar Süt earned customer satisfaction and quality awards from various consumer organizations. Spearheading its sector with the emphasis it places on quality, Pınar Süt holds TS-EN-ISO 14001:2004 Environment Management System, TS-13001 HACCP Food Safety Management and TS-EN-ISO 9001: 2000 Quality Assurance System certifications.



Corporate Governance Principles Compliance Report

1) Statement of Compliance with Corporate Governance Principles:
In the fiscal year ended on 31 December 2006, PINAR SÜT MAMULLERİ SANAYİİ A.Ş. (the company) complied with and implemented the Corporate Governance Principles published by the Capital Markets Board of Turkey (CMB), save for the matters listed hereinbelow.

a) Cumulative voting system
b) Independent members
c) Representation of minority shares in the board of directors

Nature and grounds relating to matters that are not complied with in part or in whole are detailed in the relevant sections of the report.

During the reporting period, training activities on corporate governance were participated in, the company's articles of association, procedures and practices were reviewed with respect to their compliance with the principles, and improvement areas were identified.

SECTION I – SHAREHOLDERS

2) Shareholder Relations Unit:
Although there is not an investor relations unit under the company, the said function is carried out by the Financial Affairs Department. During the fulfillment of this function, necessary support is received from the relevant central departments of the Yaşar Group, as do all other Yaşar Group companies. The company's Financial Affairs Department performs the following duties within the scope of investor relations (Contact People: Financial Affairs Director, Financial Affairs Manager - 0232 4361515)

a) Ensuring maintenance of the records about shareholders in a healthy, secure and up-to-date manner;
b) Responding to the shareholders' written information requests about the company, apart from those that are not publicly disclosed, are of a confidential and/or trade secret nature;
c) Ensuring that General Meetings are convened in accordance with the applicable legislation, the articles of association and other internal regulations;
d) Contacting the other units in the company so as to ensure preparation of the documents the shareholders could make use of in general meetings;
e) Observing and complying with all considerations related to public disclosure, including the legislation and the company's disclosure policy.

No written requests were received from the shareholders during the reporting period. On the other hand, a large number of verbal information requests are received from the shareholders; however, no statistical data are available with respect to such queries.

3) Shareholders' Exercise of their Right to Obtain Information:
Indiscrimination is the basic principle in the shareholders' exercise of their right to obtain and examine information. Numeric information regarding the applications for obtaining information in the fiscal year 2006 was provided in article 2 above. These information requests are usually related to such matters as the date of general meeting, capital increases and bonus shares, and profit distribution. All information requests, apart from those falling under the scope of trade secrets or company interest that is worth protecting, are responded to without any discrimination among the shareholders and in parallel with the disclosures previously made to the public within the scope of material

event disclosures. Developments that have an impact on the exercise of shareholding rights as required by the Turkish Commercial Code (TCC) and CMB arrangements are disclosed via material event disclosures, newspaper announcements and by post. The company's articles of association contain no provisions stipulating the request for appointment of a special auditor as an individual right. During the reporting period, no such request was received from the shareholders.

4) Information on General Meetings:
In 2006, ordinary general meeting was convened on 18 May 2006. According to section 19 "Meeting Quorum" of the company's articles of association, quorum at ordinary and extraordinary general meetings is subject to the relevant provisions of the Turkish Commercial Code. In 2005 ordinary general meeting, meeting and decision quora were 62.12% of the company's share capital.

Save for shareholders, stakeholders and media did not attend the meeting. Invitation to the general meeting was made by the board of directors. In addition to the shareholders, authorized representatives of the independent audit firm are also invited in writing. The announcement for the company's general meeting invitation was promulgated in the Turkish Trade Registry Gazette (TTRG) at least 21 days in advance of the meeting date, excluding the dates of promulgation and meeting, in accordance with section 22 "Announcement" of the articles of association and under article 368 of the TCC. The invitation was also published in a local newspaper, and the shareholders, whose addresses were registered, were also informed on the meeting date, place and agenda by post. No deadlines are set for registration in the shareholders register so as to facilitate participation of the holders of registered shares in the general meeting. Prior to the general meeting, the place, date and agenda of the meeting, dividend distribution proposal of the board of directors to be submitted to the general assembly, as well as the independent audit firm chosen are publicly announced by way of material event disclosures.

The company's annual report is made available for the examination of shareholders at the company's head office 15 days in advance of the general meeting. At the general meeting, the topics on the agenda are communicated impartially and in detail, in a clear and understandable method, and the shareholders are provided with the chance to voice their opinions and direct their questions under equal conditions, thus creating a healthy discussion climate.

The articles of association contain no provisions with regard to the adoption of material decisions at the general meeting, such as demerger, acquisition, disposal, leasing etc. of substantial assets. In order to assure the company activities to proceed in their normal course, such decisions are adopted by the board of directors, with keen consideration of the CMB arrangements, TCC and tax legislation. Upon adoption, such resolutions are publicly disclosed as material event disclosures. The minutes of the general meetings are made available to shareholders at all times at the company's head office.

5) Voting Rights and Minority Rights:
The following privilege exists in relation to nominating members to the seats on the Board of Directors: "The business affairs and administration of the company are managed by a Board of Directors that will consist of 5 to 9 members who will be elected under the provisions of the TCC by the General Assembly from amongst shareholders or non-shareholders. If the Board of Directors is formed by 5 members, 3 members shall be elected from amongst the nominations made by Class A shareholders, 1 member from amongst the nominations made by Class B shareholders, and 1 member from amongst the nominations made by Class C shareholders; if the Board of Directors is formed by 7 members,

4 members shall be elected from amongst the nominations made by Class A shareholders, 2 members from amongst the nominations made by Class B shareholders, and 1 member from amongst the nominations made by Class C shareholders. If the Board of Directors is formed by 9 members, 5 members shall be elected from amongst the nominations made by Class A shareholders, 3 members from amongst the nominations made by Class B shareholders, and 1 member from amongst the nominations made by Class C shareholders. If so decided thereby, the Board of Directors may elect a Managing Director. However, the chairperson of the Board and the Managing Director must be elected from amongst the members representing Class A."

There are no privileges other than the above.

In relation to exercise of voting rights, the company's articles of association contain no provisions preventing a non-shareholder from voting in proxy in the capacity of a representative. Section 23 of the company's articles of association setting forth the voting reads as follows: "Votes are cast by raise of hands at general meetings. However, upon demand by holders of one tenth of the capital represented by the attending shareholders at the meeting, secret voting must be carried out. Arrangements of the Capital Market Law shall be observes in respect of the votes cast in proxy."

There are no cross-shareholding interests between the company and another company. There are no independent members on the board of directors (Please refer to article 18 on detailed information about the members of the Board of Directors.) Minority rights are not represented in the board of directors. At our company, minority rights and exercise thereof are implemented in parallel with Article 11 of the Capital Market Law that governs all publicly-floated companies. Currently, the company's articles of association do not contain a provision allowing cumulative voting method.

6) Dividend Distribution Policy and Timing:
There are no privileged rights concerning participation in the company's profits. The company's general dividend distribution policy is to make dividend distribution upon consideration of the company's financial position, the investments to be made and other funding needs, the sectoral conditions, economic environment, the Capital Market Legislation and the Tax Legislation. In consideration of the fact that the dividend distribution ratio is currently 20% under the Capital Market Legislation, it is envisaged to make dividend distribution at this ratio at a minimum in the subsequent years as well. However, determination of the actual dividend ratios shall each year be made based on the considerations mentioned above.

The company authorized, via the articles of association, the Board of Directors in relation to interim dividends. The Board of Directors evaluates the exercise of the power to grant interim dividends within the framework of applicable legislation and economic environment. Dividend distribution methods and processes are stipulated by the provisions contained in the TCC, CMB arrangements and the company's articles of association. Upon the Board of Directors' relevant decision made in parallel with the set dividend distribution policy in each fiscal year, the public is informed by way of a material event disclosure. The Board of Directors decision relating to the amount of dividends is laid down for approval at the general meeting and the amount of dividends approved as such is distributed to the shareholders within the prescribed period of time as determined at the general meeting within the framework of the CMB Communiqué Serial: IV, No: 27. Distribution of the company's 2005 dividends was commenced on 30 May 2006, and the process was completed within the legally prescribed period of time.

7) Transfer of Shares:
The transfer of registered shares is governed by articles 415 and 416 of the TCC.

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

8) Company Disclosure Policy:
Although there is no disclosure policy that has been formed and publicly disclosed as defined in Section II, Article 1.2 of the Corporate Governance Principles, the company keeps all the shareholders and stakeholders informed within the framework of the CMB Communiqué Serial: VIII, No: 39 concerning the Principles Relating to Disclosure of Material Events. Disclosures are coordinated by the company's Board of Directors, General Manager Ergun Akyol, Financial Affairs Director Coşkun Keskiner and Financial Affairs Manager Mustafa Şahin Dal in a timely, accurate, complete, intelligible, interpretable manner, and equally available to all at low-cost so as to assist the people and institutions that will benefit from such disclosures in their decision-making. Drawn up in accordance with the CMB Communiqué Serial: XI, No: 25, as well as the applicable Capital Market Legislation and International Financial Reporting Standards (IFRS), the company's annual and interim financial statements and complementary notes are disclosed to the public upon being independently audited pursuant to the CMB arrangements.

9) Disclosure of Material Events:
The company made 27 material event disclosures in 2006 fiscal year. No additional information was required for these disclosures either by the CMB and/or the ISE. The company was not in breach of any matter with regard to public disclosure. The company is not quoted on any overseas stock exchange.

10) Company Internet Site and its Content:
Accessible at www.pinar.com.tr, the company website is structured in the format, and provides the content in Turkish and English languages, as required in Section II "Principles and Means of Public Disclosure", Article 1.11.5 of the Corporate Governance Principles. The website is actively used. Improvement efforts will be ongoing to enhance the services offered by the website.

11) Disclosure of Non-corporate Ultimate Shareholder(s) Who Have a Controlling Interest:
The company's shareholding structure as at 31 December 2006 is as follows:

Shareholders	TRY	Share (%)
Yaşar Holding A.Ş.	27,503,257.79	61.18
Other	17,447,793.46	38.82
Total	44,951,051.25	100.00

As seen in the table above, Yaşar Holding A.Ş. holds 61.18% of the company's share capital. Yaşar Holding A.Ş. is controlled, directly or indirectly, by the Yaşar family.

12) Public Disclosure of Those Who May Have Access to Insider Information:
Although individuals who may have access to insider information have been previously notified to the CMB for various reasons, they have not been publicly disclosed. These individuals are listed below:

All Board of Directors members and statutory auditors
Ergun Akyol (General Manager)

Aziz Ufuk Tezer (Vice president, Financial Affairs)
Kazım Coşkun Keskiner (Financial Affairs Director)
Gülçin Bayat (Finance Director)
Erhan Savcıgil (İzmir Plant Director)
Gürkan Hekimoğlu (Eskişehir Plant Director)
Adnan Peynirci (External Relations, Overseas Projects and Quality Director)
Adnan Akan (Associate, Chief Auditor – Independent Audit Firm)
Relevant employees of the independent audit firm

SECTION III – STAKEHOLDERS

13) Keeping Stakeholders Informed:

On matters apart from trade secrets, stakeholders are kept informed through the CMB's Material Event Disclosures, within the framework of CMB arrangements, the TCC, Competition Law, tax laws, and the Turkish Code of Obligations.

14) Stakeholder Participation in Management:

Stakeholder participation in management is ensured through systematic meetings and suggestion systems which are based on process-focused management system and Total Quality philosophy, which aim at enhancing improvement and productivity, and during which the demands and opinions of the employees are taken into due consideration. Customers are also enabled to participate in the management through dealer meetings, customer satisfaction system and suggestion system.

In parallel with our business volume growing within the framework of cooperation established with our suppliers, the suppliers also expand their business volumes, and through regular audits, it is ensured that new materials conforming to quality management and food safety that make up the key prerequisites in the food sector, are jointly developed, thus allowing for the suppliers to venture into new lines of business.

15) Human Resources Policy:

The basic mission of the human resources is to maintain at Pınar Süt an innovative HR management that makes total quality concept a principle, that is able to easily align with change and development, and that provides global competitive advantage. The company's key HR policies are clearly covered in the Personnel Regulation distributed to all white collar employees against signature. Personnel Regulation contains information on basic policies, work durations, recruitment process and principles, termination of employment contracts and discipline regulation. HR policies and practices related to blue collar workers are addressed in the Collective Bargaining Agreement.

Our basic policies are as follows:

a) The staff cadres at the company are determined based on the business economics criteria and all employees acknowledge that dignified work is possible only through productive work.
b) In-house and external training programs are implemented within the scope of the plan determined at each level so as to develop the personnel.
c) Equality of opportunity is observed in promotions and appointments in the organization, and in principle, appointments are made from within.
d) Development plans are implemented so as to offer promotion opportunities at the broadest extent to the employees possessing the potential through the career planning system.

e) The employees' performance appraisals are based on achievement of targets, as well as on competencies.
f) Job descriptions and performance standards are documented for every position from the top to the lowest level and this system is made the basis of employee assessment.
g) Employee Opinion Survey is administered every year periodically, seeking the employees' ideas on working conditions, management, social activities, remuneration, training, performance appraisal, career planning, participative management and company satisfaction. Improvement efforts are taken on in line with the feedbacks received.
h) Our company gives utmost importance to providing a safe working environment and conditions. All legally required actions are taken within the framework of Occupational Health and Safety Regulation to prevent occupational risks, to maintain safety and health, and to eliminate the risk and accident factors. Improvement works are carried on constantly through regular meetings.
i) Our management philosophy is "to sustain our existence as a Company that acts in compliance with laws and ethical rules, and that adopts total quality philosophy and participative management approach."
j) It is the basic principle at the company to treat all employees equally without any discrimination on the basis of language, race, color, sex, political affiliation, philosophical belief, religion, sect and similar reasons. Necessary actions are taken to protect the said constitutional right of the employees.

The company has 3 employee representatives in total, 2 at Pınarbaşı Plant and 1 at Eskişehir Plant. These representatives are assigned with the following tasks:
a) Hearing out the workers' wishes and resolving their complaints, on condition to keep them confidential and exclusive to the work place
b) Maintaining the collaboration and working harmony between the employees and the employer, as well as the peaceful working environment.
c) Observing the workers' rights and interests, and assisting implementation of the working conditions as stipulated by the labor laws and collective bargaining agreements.

All employees are informed on various topics including company procedures, organizational changes, modifications in benefits and rights, and practices and decisions concerning the employees through the Regulation and announcements posted on the intranet and bulletin boards, which are prepared within the framework of the Announcement Regulation put into writing. To date, no complaints about discrimination were received by the Company management and HR department from the employees.

16) Relations with Customers and Suppliers:
Its mission defined as presenting the consumers with products that are sources of health, taste and novelties, Pınar makes available its products' production processes and all kinds of details about the products to the customers on the website www.pinarmutfagi.com. Customer demands and complaints are received through the toll-free consumer hotline serving at 0800 415 51 17 that can be reached from anywhere in Turkey, upon which necessary actions are taken to respond to the demands received and to resolve the complaints. The Company constantly makes use of various research and surveys carried out by the company and various independent organizations with a view to ensure customer satisfaction. Based on the results of such research and customer demands, actions are taken to enhance product and service quality. The company's 34 years of history enables establishment of good relations with suppliers, resulting in the provision of needed materials at the required quality, on the required times and in the required quantities, and at optimum commercial terms. The degree of satisfaction of these targets is measured by

way of supplier assessment methods and the outcomes are shared with our suppliers, in turn employed in providing them with necessary training and development. Through a constant information network established with our suppliers, potential developments and innovations in the sector are monitored, quality and innovation circles are organized, collaboration is carried out and efforts are spent to implement such innovations as a matter of priority.

17) Social Responsibility:
Committed to fulfill its responsibilities towards public health and the environment, the company made it a principle to collaborate closely with its producers, suppliers and employees in the execution of its production activities, and to continually monitor and improve its environmental performance. The company holds Environmental Impact Assessment Reports and TS EN ISO 14001 Environmental Management System certification. Pınar Kido painting contests, Pınar Kido children's theater, Pınar Karşıyaka basketball team sponsorship, farmer training programs, Pınar bulletin and Yaşam Pınarım magazine signify the company's efforts aimed at contributing to the employees and the society in the fields of culture, the arts, sport and education. Support is extended to education through collaborations with such institutions and organizations as Yaşar University and Yaşar Education Foundation. No lawsuits were lodged against the company during the reporting period on account of any harm to the environment.

SECTION IV – THE BOARD OF DIRECTORS

18) Structure and Formation of the Board of Directors and Independent Board Members:
The Board of Directors exercises its authorities, fulfills its responsibilities and represents the company in line with the powers granted thereto by the shareholders at the general meeting and within the scope of applicable legislation, the articles of association, internal regulations and policies. The Board members are listed below.

Feyhan Yaşar Kalpaklıoğlu	Chairperson of the Board
İdil Yiğitbaşı	Vice Chairperson of the Board
Ata Murat Kudat	Board Member
Taşkın Tuğlular	Board Member
B. Safa Ocak	Board Member
Yılmaz Gökoğlu	Board Member
Mehmet Aktaş	Board Member

• Ergun Akyol serves as the General Manager of the company.
• There are no independent members on the company's Board of Directors.
• Board members' performance of the activities mentioned in Articles 334 and 335 of the TCC is subject to the approval of the General Assembly. Save for the activities mentioned therein, there are no restrictions regarding the activities of the Board members.

19) Qualifications of Board Members:
In the election of Board members, care is paid to organize the Board in the manner that will guarantee maximum efficiency and effect. For this purpose, care is given to elect, in principle, members possessing the qualifications stated in articles 3.1.1, 3.1.2 and 3.1.3 of Section IV of the CMB's Corporate Governance Principles. A Corporate Governance Committee was set up at the company's Board of Directors meeting of 13 March 2006, and training and orientation programs are implemented for the Board members in line with current developments and changes.

20) Mission, Vision and Strategic Goals of the Company:
The Company's mission is "to present our consumers with products that are sources of health, taste and innovation". The Company's vision is defined as "growing together with its producers and suppliers, integrating with its customers to become a Worldwide recognized brand, and increasing its profitability and productivity in cooperation with its employees". To realize this mission, our strategic goals are regularly monitored and reviewed by the Board of Directors.

21) Risk Management and Internal Control Mechanism:
In essence, the Board of Directors oversees the risk management-related activities via the Audit Committee. In fulfilling this function, the Audit Committee utilizes the findings of the Audit Unit reporting to the Financial Affairs Department, and of establishments carrying out certification within the scope of independent audit and certified counsellorship.

22) Authority and Responsibilities of the Board Members and Executives:
The Board of Directors and executives carry out their activities on the principles of egalitarianism, transparency, accountability and responsibility. While the mandatory provisions of the TCC are applicable in achieving this, the authority and responsibilities of the Board of Directors are spelled out as follows in section 12 of the company's articles of association:

Section 12: "The Board of Directors shall represent the company before governmental agencies, courts of law and third parties, carry out, on behalf of the company, any and all kinds of transactions and dispositions within its scope and field of activity, acquire, sell, create and/or release mortgage and other real rights on, immovables within the company's scope; enter into amicable settlement and appoint arbitrators; prepare the annual report and yearly accounts to be presented to the general assembly and propose the amount of dividends to be distributed at the general meeting, and perform other duties imposed thereupon by the law and the articles of association."

23) Operating Principles of the Board of Directors:
The operating principles of the board of directors are stipulated as follows in section 10 of the Company's articles of association:

"The Board of Directors shall convene as and when necessitated by the business affairs and transactions of the company. However, the Board must hold at least monthly meetings."

The operating principles of, and the works carried out by, the Board of Directors in 2006 fiscal year are detailed below:

The agenda of the Board meetings are determined by the Chairperson, upon conferring with other Board members and the general manager. The Board of Directors met 45 times during the reporting period. Invitation to the meeting is made by the Chairperson of the Board, or upon written request by any Board member. The meeting agendas are sent to the members by registered mail at least two weeks in advance of the meeting date. Usually all members participate in the meetings. In 2006 fiscal year, there were no topics upon which agreement was not secured. In meetings related to matters contained in article IV.2.17.4 of the Corporate Governance Principles, the Board secured personal attendance. Questions posed during the course of the meetings are not recorded. No weighted voting and/or vetoing rights are granted to the Board members.

24) Prohibition on Doing Business or Competing with the Company:
Although the Board of Directors was authorized in the matters related to Articles 334 and 335 of the Turkish Commercial Code at the 2005 general meeting convened in 2006, no member of the Board of Directors carried out, directly or indirectly, any commercial transaction that falls under the company's scope with the Company, either on his own or others' behalf.

25) Code of Ethics:
The company pursues its operations within the framework of the core values, which have been espoused by all Yaşar Group companies; these core values are carrying out production of services and goods on the basis of an approach requiring compliance with the laws and ethical rules, not neglecting the country's issues but refraining from being involved in active politics, and caring for the environment and the nature. These core values are known to all employees. In addition, necessary work is underway to spell out the company's code of ethics within the scope of its approach to Corporate Governance.

26) Number, Structures and Independence of the Committees under the Board of Directors:
Two committees have been set up at the company: the Audit Committee and the Corporate Governance Committee. In 2006 fiscal year, the Audit Committee met four times and obtained quarterly information on the activities and internal control systems from the company executives and on the audit findings from the independent auditors. The Committee oversees the operation and effectiveness of the company's accounting system, public disclosure of financial data, independent audit and internal control system. It also supervises the selection of the independent audit firm, initiation of the independent audit process, and the work carried out by the independent audit firm. The committee reports to the Board of Directors as to the accuracy and truthfulness of the annual and interim financial statements that will be publicly disclosed. Members of the Audit Committee are Messrs. Taşkın Tuğlular and Ata Murat Kudat. Because there are no independent members on the company's Board of Directors, the Audit Committee consists of non-executive members. No member of the Board of Directors serves on more than one committee. The company's Corporate Governance Committee was set up with the Board of Directors resolution dated 13 March 2006. Mr. B. Safa Ocak and Mr. Mehmet Aktaş have been elected to serve as the head and member on the Corporate Governance Committee, respectively.

The Corporate Governance Committee establishes whether the Corporate Governance Principles are implemented at the company, and determines the adversities stemming from failure to fully comply with these principles, and proposes improvement actions to the Board of Directors. The committee coordinates the investor relations efforts, works to create a transparent system, and to devise the relevant policies and strategies regarding the identification of appropriate nominees for the Board of Directors, as well as their assessment, training and rewarding. The Corporate Governance Committee also formulates recommendations regarding the number of Board members and executives.

27) Remuneration of the Board of Directors:
As stated in section 13 of the company's articles of association, the members of the company's Board of Directors receive the attendance fee set by the General Assembly. The gross monthly attendance fee determined for 2006 is TRY 650. There is no other performance-based rewarding system for the Board members at the company. The company does not, directly or indirectly, lend money or extend loans to any Board member or executive.

Statutory Auditors' Report

TO THE GENERAL ASSEMBLY OF PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

Commercial Title of the Company:	Pınar Süt Mamulleri Sanayii A.Ş.
Head Office:	Şehit Fethi Bey Caddesi No: 120 İZMİR
Capital:	TRY 44,951,051.25
Fields of Activity:	Milk and dairy products production
Statutory auditors' names, surnames, terms of office and whether they have a shareholding interest in the company:	Kamil Deveci (18.05.2006 - one year) has no shareholding interest Özge Engin (18.05.2006 - one year) has no shareholding interest Ebgü Senem Demirkan - has no shareholding interest*

* Ms. Ebgü Senem Demirkan was elected to serve as a statutory auditor which position has been vacated upon the resignation of 03.10.2006 of Ms. Nur Şule Bölükoğlu who had been elected on 18.05. 2006. Ms. Demirkan will serve until completion of the remaining term of office.

Number of Board of Directors Meetings Participated in and of Board of Auditors Meetings Held:	Board of Directors Meetings 45 Board of Auditors Meetings 12
Scope, dates and conclusion of the examination made on the accounts, books and documents of the company:	At the end of each month, cash, cheques, bonds and receipts were counted, and the records and documents were screened on the basis of sampling method and no irregularities were established.
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 was checked and counted 12 times and no irregularities were established.
Dates and results of the examinations made pursuant to Article 353, paragraph 1, subparagraph 4 of the Turkish Commercial Code:	Examination was performed at the end of each month, comments were provided for matters of uncertainty, and no irregularities were established.
Complaints and irregularities received and the actions taken in relation thereto:	None were received.

We have examined the accounts and transactions of Pınar Süt Mamulleri Sanayii A.Ş. for the period 01 January 2006 – 31 December 2006 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 2006, 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 2006 – 31 December 2006 fairly and accurately presents the operating results for the period.

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

Statutory Auditor	Statutory Auditor	Statutory Auditor
Kamil DEVECİ	Özge ENGİN	Ebgü Senem DEMİRKAN

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

FINANCIAL STATEMENTS
AT 31 DECEMBER 2006
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(TRANSLATION FOR THE COMPANY'S CONVENIENCE -
THE TURKISH TEXT IS AUTHORITATIVE)

PRICEWATERHOUSECOOPERS

Başaran Nas Bağımsız Denetim
ve Serbest Muhasebeci Mali
Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi
No: 48 B Blok Kat 9 Akaretler
Beşiktaş 34357 İstanbul-Turkey
www.pwc.com/tr
Telephone: +90 (212) 326 6060
Facsimile: +90 (212) 326 6050

INDEPENDENT AUDITOR'S REPORT

(Translation for the Company's convenience - the Turkish text is authoritative)

To the Board of Directors of
Pınar Süt Mamülleri Sanayii A.Ş.

1. We have audited the accompanying financial statements of Pınar Süt Mamülleri Sanayii A.Ş. (the "Company") which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing principles issued by the Turkish Capital Market Board. Those principles 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pınar Süt Mamülleri Sanayii A.Ş. as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with financial reporting standards issued by the the Turkish Capital Market Board (Note 2).

Emphasis of Matter

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

As explained in Notes 1 and 9 to the financial statements, the Company sells a substantial portion of its products to its related party and associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), which is the general distributor of the Company in Turkey.

Başaran Nas Bağımsız Denetim
ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Adnan Akan, SMMM
Partner

İstanbul, 12 April 2007

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Notes	31 December 2006	31 December 2005
ASSETS			
Current assets		**96.472.998**	**114.113.183**
Cash and cash equivalents	4	7.199.963	2.007.514
Marketable securities- net	5	-	-
Trade receivables- net	7	9.232.673	11.834.803
Leasing receivables- net	8	-	-
Due from related parties- net	9	50.169.071	73.652.302
Other receivables- net	10	35.944	2.426.760
Biological assets- net	11	-	-
Inventories- net	12	29.257.962	23.427.337
Construction contract receivables	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	577.385	764.467
Non- current assets		**253.059.127**	**244.107.531**
Trade receivables- net	7	2.639	2.433
Leasing receivables- net	8	-	-
Due from related parties- net	9	13.467.837	19.431.327
Other receivables- net	10	-	-
Financial assets- net	16	51.294.233	42.071.141
Positive/ negative goodwill- net	17	-	-
Investment property- net	18	1.058.751	1.058.751
Property, plant and equipment- net	19	183.115.085	175.551.630
Intangible assets- net	20	4.074.975	5.946.642
Deferred income tax assets	14	-	-
Other non-current assets	15	45.607	45.607
TOTAL ASSETS		**349.532.125**	**358.220.714**

The financial statements as at and for the year ended 31 December 2006 have been approved for issue by the Board of Directors on 12 April 2007.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Notes	31 December 2006	31 December 2005
LIABILITIES			
Current liabilities		**63.194.528**	**84.681.166**
Financial liabilities- net	6	3.970.935	10.546.587
Short-term portion of long-term financial liabilities- net	6	9.520.330	24.615.299
Leasing obligations- net	8	139.328	324.409
Other financial liabilities- net	10	-	-
Trade payables- net	7	38.757.706	37.555.770
Due to related parties- net	9	8.741.706	9.065.503
Advances received	21	19.349	16.839
Billing for construction contracts in progress- net	13	-	-
Provisions	23	824.017	1.028.419
Deferred income tax liabilities	14	-	-
Other current liabilities- net	15	1.221.157	1.528.340
Non– current liabilities		**46.498.775**	**54.328.349**
Financial liabilities- net	6	14.631.488	19.935.767
Leasing obligations- net	8	296.430	373.558
Other financial liabilities- net	10	-	-
Trade payables- net	7	10.557.943	2.987.214
Due to related parties- net	9	-	-
Advances received	21	-	-
Provisions	23	2.889.504	2.689.677
Deferred income tax liabilities	14	18.123.410	28.342.133
Other non-current liabilities- net	15	-	-
MINORITY INTEREST	**24**	**-**	**-**
SHAREHOLDERS' EQUITY		**239.838.822**	**219.211.199**
Share capital	**25**	**44.951.051**	**44.951.051**
Treasury Shares	**25**	**-**	**-**
Capital reserves		**91.444.563**	**86.164.094**
Share premiums		-	-
Profit from share cancellations		-	-
Revaluation reserve	19	58.126.400	58.019.844
Revaluation reserve of associate	16	175.848	207.986
Available-for-sale investments fair value reserve	16	3.584.770	(420.907)
Fair value reserve of associates		2.662.140	1.461.766
Inflation adjustment to shareholders' equity	26-27-28	26.895.405	26.895.405
Profit reserves		**4.140.076**	**(2.333.288)**
Legal reserves	26-27-28	5.169.966	2.619.087
Statutory reserves		-	-
Extraordinary reserves	26-27-28	4.500.149	594.132
Special reserves		-	-
Gain on investment and property sales, to be added to the capital		-	-
Currency translation reserve	23	7.838	(8.630)
Distribution to shareholders	17	(5.537.877)	(5.537.877)
Net profit for the year		**28.585.922**	**22.189.767**
Retained earning	**26-27-28**	**70.717.210**	**68.239.575**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**349.532.125**	**358.220.714**
Commitments and contingent assets and liabilities	31		

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
STATEMENTS OF INCOME FOR THE ENDED 31 DECEMBER 2006 AND 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Notes	1 January- 31 December 2006	1 January- 31 December 2005
OPERATING REVENUE			
Net sales	36	357.121.388	321.133.887
Cost of sales	36	(288.573.653)	(252.090.226)
Service income- net		-	-
Other income		-	-
GROSS PROFIT		**68.547.735**	**69.043.661**
Operating expenses	37	(49.838.244)	(42.941.201)
NET OPERATING PROFIT		**18.709.491**	**26.102.460**
Other income	38	24.679.428	21.623.171
Other expenses	38	(5.873.166)	(4.366.339)
Financial expenses	39	(12.230.248)	(11.222.186)
OPERATING PROFIT		**25.285.505**	**32.137.106**
Gain/ (loss) on net monetary position	40	-	-
PROFIT/ (LOSS) ATTRIBUTALE TO MINORITY INTEREST	**24**	**-**	**-**
PROFIT BEFORE TAXATION ON INCOME		**25.285.505**	**32.137.106**
Taxes on income	41	3.300.417	(9.947.339)
NET PROFIT FOR THE YEAR		**28.585.922**	**22.189.767**
EARNINGS PER SHARE (YTL)		0,6359	0,4936

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

PINAR SÜT MAMÜLLERİ SANAYİİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Share capital	Revaluation reserve	Revaluation reserve of associates	Available for-sale investments fair value reserve	Fair value reserve of associates	Inflation adjustment to shareholders' equity	Legal reserves	Extraordinary reserves	Currency translation differences	Distribution to shareholders	Net profit for the year	Retained earnings	Total shareholders' equity
1 January 2006	**44.951.051**	**58.019.844**	**207.986**	**(420.907)**	**1.461.766**	**26.895.405**	**2.619.087**	**594.132**	**(8.630)**	**(5.537.877)**	**22.189.767**	**68.239.575**	**219.211.199**
Transfer of prior year income to retained earnings	-	-	-	-	-	-	-	-	-	-	(22.189.767)	22.189.767	-
Transfers	-	-	-	-	-	-	2.550.879	3.906.017	-	-	-	(6.456.896)	-
Dividends paid (Note 9)	-	-	-	-	-	-	-	-	-	-	-	(15.732.870)	(15.732.870)
Decrease in revaluation reserve of associates (Note 16)	-	-	(32.138)	-	-	-	-	-	-	-	-	-	(32.138)
Fair value gain on available-for-sale investments (Note 16)	-	-	-	4.353.373	-	-	-	-	-	-	-	-	4.353.373
Fair value increase of associates (Note 16)	-	-	-	-	1.200.374	-	-	-	-	-	-	-	1.200.374
Currency translation difference (Note 16)	-	-	-	-	-	-	-	-	16.468	-	-	-	16.468
Net profit for the year	-	-	-	-	-	-	-	-	-	-	28.585.922	-	28.585.922
Effect of tax rate and regulation change	-	2.088.663	-	(347.696)	-	-	-	-	-	-	-	-	1.740.967
Depreciation transfer (Note 19)	-	(2.477.634)	-	-	-	-	-	-	-	-	-	2.477.634	-
Deferred tax on depreciation transfer (Note 19)	-	495.527	-	-	-	-	-	-	-	-	-	-	495.527
31 December 2006	**44.951.051**	**58.126.400**	**175.848**	**3.584.770**	**2.662.140**	**26.895.405**	**5.169.966**	**4.500.149**	**7.838**	**(5.537.877)**	**28.585.922**	**70.717.210**	**239.838.822**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Share capital	Reeservation reserve	Revaluation reserve of associates	Available for-sale investments fair value reserve	Fair value reserve of associates	Inflation adjustment to shareholders' equity	Legal reserves	Extraordinary reserves	Currency translation differences	Distribution to shareholders	Net profit for the year	Retained earnings	Total shareholders' equity
1 January 2005-as previously reported	**44.951.051**	**67.722.793**	**204.547**	**-**	**-**	**26.895.405**	**2.185.623**	**-**	**(9.313)**	**-**	**5.073.192**	**59.368.195**	**206.391.493**
Correction of fair value classification of available-for-sale investments in accordance with IAS 39 (Note 2.4)	-	-	-	(5.815.927)	-	-	-	-	-	-	(4.436.100)	10.252.027	-
1 January 2005-restated	**44.951.051**	**67.722.793**	**204.547**	**(5.815.927)**	**-**	**26.895.405**	**2.185.623**	**-**	**(9.313)**	**-**	**637.092**	**69.620.222**	**206.391.493**
Correction of negative goodwill in accordance with IFRS 3	-	-	-	-	-	-	-	-	-	-	-	394.086	394.086
Transferred of prior year income to retained earningss	-	-	-	-	-	-	-	-	-	-	(637.092)	637.092	-
Transfers	-	-	-	-	-	-	433.464	594.132	-	-	-	(1.027.596)	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(4.045.595)	(4.045.595)
Increase in revaluation reserve of associates	-	-	3.439	-	-	-	-	-	-	-	-	-	3.439
Fair value gain on available-for-sale Investments (Note 16)	-	-	-	5.395.020	-	-	-	-	-	-	-	-	5.395.020
Fair value increase of associates- net (Note 16)	-	-	-	-	1.461.766	-	-	-	-	-	-	-	1.461.766
Currency translation differences (Note 16)	-	-	-	-	-	-	-	-	683	-	-	-	683
Distribution to shareholders (Note 16)	-	-	-	-	-	-	-	-	-	(5.537.877)	-	-	(5.537.877)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	22.189.767	-	22.189.767
Decrease in revaluation reserve (Note 19)	-	(11.199.990)	-	-	-	-	-	-	-	-	-	-	(11.199.990)
Deferred tax effect on decrease of revaluation reserve (Note 19)	-	3.359.997	-	-	-	-	-	-	-	-	-	-	3.359.997
Disposals from revaluation reserve (Note 19)	-	(103.751)	-	-	-	-	-	-	-	-	-	103.751	-
Deferred tax effect on disposals from revaluation reserve (Note 19)	-	31.125	-	-	-	-	-	-	-	-	-	-	31.125
Depreciation transfers (Not 19)	-	(2.557.615)	-	-	-	-	-	-	-	-	-	2.557.615	-
Deferred tax on depreciation transfers (Note 19)	-	767.285	-	-	-	-	-	-	-	-	-	-	767.285
31 December 2005	**44.951.051**	**58.019.844**	**207.986**	**(420.907)**	**1.461.766**	**26.895.405**	**2.619.087**	**594.132**	**(8.630)**	**(5.537.877)**	**22.189.767**	**68.239.575**	**219.211.199**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
STATEMENTS OF INCOME FOR THE ENDED 31 DECEMBER 2006 AND 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Notes	1 January- 31 December 2006	1 January- 31 December 2005
Operating activities:			
Profit before taxation on income		25.285.505	32.137.106
Adjustments to reconcile net cash generated from operating activities to profit before taxation on income:			
Depreciation and amortisation	19-20	11.470.461	10.127.249
Interest income	38	(7.212.436)	(8.698.178)
Interest expense	39	4.332.998	5.668.181
Provision for employment termination benefits	23	675.607	656.649
Impairment on property, plant and equipment	38	-	3.024.885
Provision for impairment on intangible assets	20	1.000.000	-
Taxes paid		(6.771.754)	(10.178.344)
Impairment on available-for-sale investments	16	2.139.858	358.784
Share of results of associates	16	(4.080.948)	(5.338.317)
Gain on sales of property, plant and equipment	38	(82.344)	278.208
Scrap loss on property, plant and equipment	38	2.068.113	-
		28.825.060	28.036.223
Changes in assets and liabilities:			
Decrease/ (increase) in trade receivables	7	2.601.924	(4.696.852)
Increase in inventory	12	(5.830.625)	(2.982.242)
(Increase)/ decrease in due from related parties	9	(2.901.734)	9.760.098
Decrease/ (increase) in other receivables and current assets	10-15	2.577.898	(1.937.962)
Increase in other non-current assets	15	-	(45.248)
Increase/ (decrease) in trade payables	7	8.772.665	(2.538.947)
Decrease in due to related parties	9	(323.797)	(562.261)
Decrease in other liabilities and advances received	15-21-23	(31.170)	(1.179.373)
Employment termination benefits paid	23	(475.780)	(526.121)
Net cash generated from operating activities		**33.214.441**	**23.327.315**
Investing activities:			
Interest received		7.647.266	9.961.810
Acquisition of shares in associates	16	-	(8.167.862)
Decrease in non-trade due from related parties	9	31.913.625	8.724.367
Purchases of property, plant and equipment	19-20	(21.495.808)	(8.585.906)
Capital increase in available- for-sales investments and associates	16	(399.741))	(490.193)
Proceeds from sales of property, plant and equipment		1.347.790	290.710
Net cash generated from investing activities		**19.013.132**	**1.732.926**
Financing activities:			
Redemption of bank borrowings		(82.446.073)	(57.273.540)
Increase in bank borrowings		55.909.017	45.036.797
Redemption of leasing obligations	8	(262.209)	286.049
Decrease in non-trade due to related parties	9	-	(632.277)
Dividends paid		(15.732.870)	(4.045.595)
Interest paid		(4.770.842)	(6.963.163)
Dividend income	16	267.853	133.651
Net cash used in financing activities		**(47.035.124)**	**(23.458.078)**
Net increase in cash and cash equivalent		5.192.449	1.602.163
Cash and cash equivalents at the beginning of the year		1.987.514	385.351
Cash and cash equivalents at 31 December	**4**	**7.179.963**	**1.987.514**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The main operations of Pınar Süt Mamülleri Sanayii A.Ş. (“the Company”) are the processing, production and sales of milk, dairy products, fruit juice, sauces and powder products.

The address of the registered office is as follows:

Şehit Fethi Bey Caddesi No: 120
Alsancak/ İzmir

97% (2005: 97%) of sales and distribution of the Company’s products in the domestic market are performed by its associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. (“YBP”), and its exports are performed by Yaşar Dış Ticaret A.Ş., (“Yataş”) which are both Yaşar Group Companies (Note 9).

The Company is subject to the regulations of Capital Market Board (“CMB”) and 37,95% (2005: 37,58%) of its shares are quoted on the Istanbul Stock Exchange (“ISE”). The ultimate parent of the Company is Yaşar Holding A.Ş. (“Yaşar Holding”) (Note 25).

The average number of people employed by the Company is 701 (2005: 713).

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Accounting standarts

The Company prepares its financial statements, in accordance with the financial reporting standards issued by the Turkish Capital Market Board (“CMB Accounting Standards”). The Turkish Capital Market Board (“CMB”) has issued a comprehensive set of accounting principles in CMB Communiqué XI/25 “Communiqué Regarding Accounting Standards in Capital Market” (“Communiqué”). It has been stated in the Communiqué that, applying International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (“IASB”) in preparation of financial statements, would be an accepted alternative which complies with the CMB Accounting Standards.

Based on the CMB announcement dated 17 March 2005, it is not required for the companies operating in Turkey and preparing financial statements in accordance with the financial reporting standards issued by the CMB, to restate for the effects of inflation for the periods beginning after 1 January 2005. Accordingly, IAS 29 “Financial Reporting in Hyperinflationary Economies” issued by IASB has not been applied, since 1 January 2005.

Accordingly, the financial statements and notes to financial statements are prepared in compliance with the alternative application and formats required by the CMB announcement dated 20 December 2004.

Other than investment properties, lands, buildings, machinery, plant and equipments and financial assets and liabilities carried at their fair values, financial statements are based on historical cost convention and prepared in terms of New Turkish Lira (“YTL”).

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.2 Financial reporting in hyperinflationary periods

Financial statements are not adjusted for the effects of the inflation for the years ended 31 December 2006 and 2005.

2.3 Basis of Consolidation

The Company does not have any financial assets to be consolidated in the financial statements.

The investments in associates are accounted for using the equity method. These are undertakings over which the Company has between 20% and 50% of the voting rights, or over which the Company has significant influence. The unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Company has incurred obligations or guaranteed obligations in respect of the associates or significant influence of the company ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter.

The table below sets out the associates and the proportion of ownership interest as of 31 December 2006 and 2005 (Note 16).

	Shareholding %	
Associates	**2006**	**2005**
YBP	31,95	31,95
Pınar Foods	44,94	44,94
Pınar Anadolu Gıda San. ve Tic. A.Ş. (“Pınar Anadolu”)	20,00	20,00

Financial statements of associate operating in Germany (Pınar Foods) are prepared according to the legislation of the country in which they operate, and adjusted to the CMB Accounting Standards to reflect the proper presentation and content. The assets and liabilities of foreign associate are translated into YTL from the foreign exchange rate at the balance sheet date. The income and expenses of foreign associate are translated into YTL at the average foreign exchange rate. Exchange differences arising from the differences between the average and year-end rates are included in the “currency translation reserve” under the shareholders’ equity as a separate component.

2.4 Comparatives and Restatement of Prior Year Financial Statements

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet as at 31 December 2006 on a comparative basis with balance sheet as at 31 December 2005; and statements of income, cash flows and changes in shareholders’ equity for the period of 1 January 2006 – 31 December 2006 on a comparative basis with financial statements for the period 1 January 2005 – 31 December 2005.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.4 Comparatives and Restatement of Prior Year Financial Statements (Continued)

In accordance with the revised IAS 39 Financial Instruments, gains and losses on available-for-sale financial assets should be directly recognised in equity until the related financial asset is derecognised. Since 1 January 2005, changes in fair values of available-for-sale investments are accounted under equity. Up until 31 December 2004 the Company had recognised fair value gains and losses regarding available-for-sale investments in the income statement. As required by IAS 39 revised, the Company has restated previous years' financial statements retrospectively to reflect the effect of the above revision in the standard by transferring the related changes in fair values regarding available-for-sale investments from retained earnings and the income statement for the period ended 31 December 2004 to the equity reserve (Please refer to Statement of change in Shareholders' Equity for the year ended 31 December 2005).

In accordance with International Financial Reporting Standard 3 ("IFRS 3"), Business Combinations, the carrying value of negative goodwill has been derecognised at 1 January 2005, with a corresponding adjustment to the opening balance of retained earnings at the same date 2005 (Note 3 - xxv) (Please refer to Statements of Shareholders' Equity for the year then ended 31 December 2005).

2.5 Offsetting

All sections with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of sections having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales described in "Revenue Recognition", are presented as net if the nature of the transaction or the event qualify for offsetting.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the financial statements are summarised below:

i. Revenue Recognition

Revenues are recognised on an accrual basis at the time deliveries are made, services are given and significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions given. (Note 36) Rent income is recognized on an accrual basis, interest income is recognized on an accrual basis with effective yield basis calculation. Dividend income is recognized when the right to receive is possessed.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii. Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise total purchase costs and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the monthly moving weighted average basis (Note 12).

iii. Property, plant and equipment

Land and buildings are stated at their fair values based on the valuations performed determined by the external independent valuers at 31 December 2004, less the subsequent depreciation and these carrying values are assumed not to differ significantly from their fair values as at 31 December 2006. Machinery and equipment are also stated at their fair values, based on the valuations performed by the external independent valuers, as of 31 December 2005 less the subsequent depreciation and these carrying values are also assumed not to differ significantly from their fair values as at 31 December 2006. All other sections of property, plant and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of YTL as at 31 December 2004 and sections acquired after 1 January 2005 are carried at cost, less the subsequent depreciation as of 31 December 2006 (Note 19). Residual values of property, plant and equipments are deemed as negligible.

Increases in the carrying amount arising on the revaluation of property, plant and equipment are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the statements of income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statements of income and the depreciation based on the asset's original cost stated in terms of purchasing power of YTL at 31 December 2004 is transferred from retained earnings to the revaluation reserves.

Property, plant and equipment are capitalised and depreciated when they are fully commissioned and in a physical state to meet their designated production capacity.

Depreciation is provided on the restated or revalued amounts of property, plant and equipment on a straight-line basis (Note 19). Land is not depreciated as it is deemed to have an indefinite life. The economic useful lives of property, plant and equipment are as follows:

	Years
Buildings and land improvements	15 - 50 years
Machinery and equipment	10 - 40 years
Motor vehicles (including leased motor vehicles)	5 years
Furniture and fixtures	10 years

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii. Property, plant and equipment (Continued)

Gain or losses on disposals of property, plant and equipment with respect to their restated amounts are included in the related income and expense accounts. On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings.

Repairs and maintenance are charged to the statements of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. The Company derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts had been depreciated separately. Major renovations are depreciated over the remaining useful life of the related assets.

iv. Intangible assets

Intangible assets comprise acquired rights, information systems and software. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of YTL as at 31 December 2004 and sections acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses if any. Residual values of intangible assets are deemed as negligible.

The approximate economic useful lives of intangible assets is as flows:

Rights	5 - 10 years

v. Impairment of assets

At each reporting date, the Company assesses whether there is an impairment indication for the assets, except for the deferred income tax asset (Note 14) and property, plant and equipment stated at revalued amounts. When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. Recoverable amounts of intangible assets that are not available for use, are estimated at each reporting date. An impairment loss is recognised for the amount by which the carrying amount of the asset or any cash-generating unit of that asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. Impairment losses are accounted for in the statement of income.

Impairment loss on assets can be reversed to the extent of previously recorded impairment losses, in cases where increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

vi. Borrowings and borrowings costs

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred (Note 6). If the maturity of these instruments is less than 12 months, these loans and receivables are classified in current assets and if more than 12 months, classified in non-current assets. In addition, in case of breach of loan agreement conditions as of or before the balance sheet date, which might cause recall of the loan by the financial institution, the long-term portion of such loans is reclassified as the short-term loan. In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 39).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

vii. Financial assets

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

The Company classifies its financial instruments in the following categories:

a) Loans and receivables

Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. Loans and receivables arise, without held-for-sale intention, from the Company's supply of goods, service or direct fund to any debtor. If the maturity of these instruments are less than 12 months, these loans and receivables are classified in current assets and if more than 12 months, classified in non-current assets. Loans and receivables are initially recognised at their fair values and costs including the transaction costs related with the corresponding financial assets. These loans and receivables are included in "Trade receivables" (Note 3 xxviii) and "Other receivables" in the balance sheet. Loans are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans are stated at amortised cost using the effective yield method.

b) Available – for –sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All financial investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investments. Available-for-sale investments are carried at fair value and where there is no quoted market price and where a reasonable estimate of fair value could not be determined since other methods are inappropriate and unworkable, available-for-sale investments acquired before 1 January 2005 are carried at cost expressed in purchasing power of YTL as at 31 December 2004 and available-for-sale investments acquired after 1 January 2005 are carried at cost, less impairment losses, if any (Note 16). Unrealized gains and losses arising from changes in fair value of securities classified as available-for-sale are recognised in the equity, rather than statement of income until the related financial asset is derecognised. Change in fair value of available-for-sale investments is calculated as the difference between the discounted acquisition cost and the current fair value. As the financial asset is derecognised, the gain and loss on that financial asset is removed from equity and recognised in statements of income. If negative difference between acquisition cost and the fair value of the available-for-sale investments becomes permanent, those impairments are accounted for in the statements of income.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

vii. Financial assets (Continued)

b) Available – for –sale financial assets (Continued)

In accordance with the revised IAS 39 standard, gains and losses on available-for-sale financial assets should be directly recognised in equity until the related financial asset is derecognised. Since 1 January 2005, changes in fair values of available-for-sale investments are accounted under equity. Up until 31 December 2004 the Company had recognised fair value gains and losses regarding available-for-sale investments in the income statement. As required by IAS 39 revised, the Company has restated previous years' financial statements retrospectively to reflect the effect of the above revision in the standard by transferring the related changes in fair values regarding available-for-sale investments from retained earnings and the income statement for the period ended 31 December 2004 to the equity reserve. As the financial asset is derecognised, the gain and loss on that financial asset is removed from equity and recognised in statements of income. If negative difference between acquisition cost and the fair value of the available-for-sale investments becomes permanent, those impairments are accounted for in the statements of income.

viii. Business combinations

None (2005: None).

ix. Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into YTL at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income.

x. Earning per share

Earnings per share disclosed in the statements of income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 42).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 42).

xi. Subsequent events

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorised for issue (Note 34).

In the case that events require a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements. Moreover, the events that occur subsequent to the balance sheet date and not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xii. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to settle the liability. The rate used to discount provisions to their present values is determined considering the interest rate in the related markets and the risk associated with the liability. The discount rate must be pre-tax and does not consider risks associated with future cash flow estimates.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities.

xiii. Accounting policies, errors and changes in accounting estimates

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of change in accounting estimate shall be recognised prospectively by including it in the statement of income within the period of the change, if the change affects that period only; or period of the change and future periods, if the change affects both.

xiv. Leases

(1)The Company as the lessee

Finance leases

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xiv. Leases (Continued)

(2) The Company as the lessor

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their estimated useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised in the income statement on a straight-line basis over the lease term

xv. Related parties

For the purpose of these financial statements, Company's personnel, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties (Note 9).

xvi. Segment reporting

The Company operates in milk and dairy products sector and total gross sales from these operations constitutes the 97% (2005: 97%) of total gross sales. Accordingly, segment reporting is not applicable as 93% (2005: 94%) of sales and distribution of the Company's products in the domestic market, that constitutes the 92% (2005: 94%) of total gross sales, are performed by its associate, YBP (Note 9) and operations other than in Turkey are not material enough to be reported separately (Note 33).

xvii. Construction contracts

None (2005: None).

xviii. Discountinued operations

None (2005: None).

xix. Government grants and incentives

None (2005: None).

xx. Investment property

Land and buildings that are held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at fair value under the fair value method. It is assumed that the fair values at 31 December 2006 and 2005 do not deviate significantly from these valuations. The Company continues to depreciate the property and to recognise any impairment losses that have occurred up to the date of change in use when an owner-occupied property becomes an investment property that will be carried at fair value. The Company treats any difference at that date between the carrying amount of the property under IAS 16 and its fair value in the same way as a revaluation under IAS 16 (Note 18).

Land and buildings that are occupied by and leased to investment in associates, do not qualify as investment property in the financial statements since the related investments in associates are accounted for using equity method to the extent of the Company's intent in these associates.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxi. Taxes on income

Taxation on income includes current period tax liability and deferred income taxes. Current period tax liability includes the taxes payable calculated on the taxable portion of period income with tax rates enacted on the balance sheet date. The adjustments related to prior period tax liabilities are recognised in other expenses (Note 41).

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes with the enacted tax rates as of the balance sheet date (Note 14).

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will reverse. Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly (Note 14).

xxii. Provision for employment termination benefits

According to the enacted laws, the Company is required to make a lump sum payment to employees whose employment is terminated due to retirement or resignation and other reasons stated in the Turkish Labour Law. Provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method. All actuarial gains and losses are recognised in the statements of income (Note 23).

xxiii. Pension plans

None (2005: None).

xxiv. Agricultural operations

None (2005: None).

NOTE 3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxv. Goodwill and negative goodwill

Goodwill arising on acquisitions of the Company before 31 March 2004, is capitalised and amortised using the straight-line method over its estimated useful life of 5 years, until 31 December 2004. The carrying value of goodwill is reviewed annually and adjusted for permanent impairment where it is considered necessary. On application of IFRS 3, Business Combinations, from 1 January 2005 amortisation accounting is not applied for goodwill related to the acquisitions after 31 March 2004, and the carrying value of goodwill is reviewed annually and adjusted for impairment where it is considered necessary. When negative goodwill is identified in business combinations that fair values of identifiable net assets are first reviewed and then any remaining negative goodwill is recognised directly in the consolidated statement of income in the period of the acquisition.

In accordance with IFRS 3, the Company ceased to amortise the negative goodwill, associated with the transactions before 31 March 2004 at the beginning of the first annual period beginning after 31 March 2004, on 1 January 2005 (Please refer to Statements of Shareholders' Equity for the year then ended 31 December 2005).

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

In the acquisition of an entity which is under the common control, the difference between the fair value of purchase consideration and the carrying amount of the Company's share of the net identifiable assets of the acquired entity has been accounted for under the shareholders' equity "Distribution to shareholders", as such transactions among entities under common control are not within the scope of IFRS 3 (Note 17)

xxvi. Cash flow statement

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities (Note 43). Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investment activities indicate cash inflows and outflows resulting from property, plant and equipments, and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand accounts, bank deposits, mutual funds and loans originated by the Company by providing money directly to a bank under reverse repurchase agreements with a predetermined sale price at fixed future dates of less than or equal to 3 months.

xxvii. Repurchase agreements

Securities sold subject to linked repurchase agreements ("repo") are retained in the financial statements as held-to-maturity or available-for-sale investments with the counter party liability included in customer deposits. Securities purchased under agreements to resell ("reverse repurchase agreements") are recorded as loans to banks in the financial statements. The difference between the purchase and resale price of these repurchase agreements is treated as interest income and accrued over the life of the reverse repurchase agreement (Note 4).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxviii. Trade receivables and provision for impairment of receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the statement of income.

xxix. Share capital and dividends

Share capital is classified as capital and dividends distributed from common stocks are deducted at the period of the declaration from the retained earnings.

xxx. Financial instruments and financial risk management

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity instrument market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Derivative financial instruments

Derivatives are initially recognised at cost on the date a derivative contract is entered into and are subsequently remeasured at their cost. The derivative instruments of the Company mainly consist of foreign currency swap instruments (Note 6).

As of the date of the derivative contract, as the Company has certain asset, liabilities or engages in certain transactions which are clearly associated with risks where any change in their fair values can directly affect the income statement, the Company has entered into fair value hedge transactions.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxx. Financial instruments and financial risk management (Continued)

Derivative financial instruments (Continued)

Any differences between the fair value of derivative financial instruments and their initial cost resulting from foreign exchange gain/ loss and interest expense are recorded in the income statements as other income and expenses or financial expenses (Note 39).

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets (Note 6). The interest rate risk is managed through the balancing of assets and liabilities that are responsive to the fluctuations in interest rates.

Funding risk

The ability to fund existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Company has established an effective control system over its dealer network and risks arising from transactions with dealers are followed by obtaining sufficient amounts of guarantees from the dealers for dealing with credit risk.

Foreign currency risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into YTL of foreign currency denominated assets and liabilities. These risks are monitored by analyses of the foreign currency position (Note 29).

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxx. Financial instruments and financial risk management (Continued)

The following methods and assumptions were used to estimate the fair value of the financial instruments:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated to YTL using year-end exchange rates, are considered to approximate their carrying value.

The fair values of certain financial assets carried at cost, including cash and due from banks, receivables and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for impairment are considered to approximate their fair values due to their short-term nature.

The fair values of available-for-sale investments which do not have quoted market prices in active markets, are determined by using general accepted valuation techniques or stated at cost, less a provision for impairment, if any by assuming the carrying values do not differ materially from their fair values.

Financial liabilities

Fair values of bank borrowings are disclosed in Note 6. The fair values of discounted short-term trade payables are considered to approximate their carrying values. Long-term borrowings denominated in foreign exchange are translated using year-end exchange rates and their fair values considered to be approximate to their respective carrying values.

xxxi. Significant accounting estimates and decisions

Preparation of financial statements requires disclosure of assets and liabilities, contingent assets and liabilities as at balance sheet date and utilisation of estimates and assumptions that can affect income and expense amounts. The results of these estimations and assumptions can differ from the actual results even these estimations and assumptions are based on the management's best estimate. Significant accounting estimates are as follows;

Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2006	31 December 2005
Cash in hand	17.056	25.800
Banks - Demand deposits	582.907	1.181.714
- YTL	449.669	508.050
- Foreign currency	133.238	673.664
Loans to bank	6.600.000	800.000
	7.199.963	**2.007.514**

As of 31 December 2006, foreign currency demand deposits consist of USD 65.193 and EUR 22.470 (31 December 2005: USD 502.060). Effective weighted average interest rate of repurchase agreement maturing on 4 January 2007 (2005: 1 January 2006) is 19% per annum (“p.a”). (31 December 2005: 12% p.a.). There is a blocked deposit of YTL 20.000 as at 31 December 2006 (31 December 2005: YTL 20.000). Cash and cash equivalents for purposes of cash flow statement are as follows:

	31 December 2006	31 December 2005
Cash and cash equivalents	7.199.963	2.007.514
Blocked deposits	(20.000)	(20.000)
Cash and cash equivalents	**7.179.963**	**1.987.514**

NOTE 5 - MARKETABLE SECURITIES

None (2005: None).

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 6 - FINANCIAL LIABILITIES

	Weighted average interest rate p.a %		Original currency		YTL equivalent	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Short-term bank borrowings:						
USD borrowings	7,17	-	1.906.214	-	2.679.374	-
YTL borrowings	12,50	22,08	1.291.561	10.546.587	1.291.561	10.546.587
					3.970.935	10.546.587
Short –term portion of long-term bank borrowings:						
USD borrowings (*)	9,03	8,50	5.295.265	13.843.013	7.443.024	18.574.554
EUR borrowings (**)	6,23	6,17	785.831	3.805.193	1.454.966	6.040.745
Short-term derivative financial liabilities:						
Cross currecy swaps (Note 39)	-	-	-	-	622.340	-
					9.520.330	24.615.299
Total short-term borrowings					**13.491.265**	**35.161.886**
Long –term borrowings:						
EUR borrowings (**)	8,44	6,89	6.944.896	4.564.491	12.858.475	7.246.129
USD borrowings (*)	10,37	8,14	845.200	9.457.176	1.188.013	12.689.638
Long-term derivative financial liabilities:						
Cross currency swaps (Note 39)	-	-	-	-	585.000	-
Total long–term financial liabilities					**14.631.488**	**19.935.767**

(*) The interest rates of the USD denominated bank borrowings vary between Libor+%3,5 and Libor+%5 with three month to six month contractual repricing dates (2005: Libor+%3,5- Libor +%5 with three month to six month contractual repricing dates).

(**) The interest rates of the EUR denominated bank borrowings vary between Euribor+%0,75 and Euribor+%5,60 with three month to six month contractual repricing dates (2005: Euribor+%0,75- Euribor +%5 with three month to six month contractual repricing dates).

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 6 - FINANCIAL LIABILITIES (Continued)

In relation to the loan with an amount of USD 3.125.000 and EUR 271.935 totally equivalent to YTL 4.895.987 obtained from an international financial institution, and with respect to scope of the general loan agreement signed; there are particular financial ratios which the Company and other group companies obtained loan has to comply with jointly. As the other group companies have breached some conditions of related loan agreement on or before the balance sheet date at 31 December 2006, the Company classified its long-term financial liabilities amounting USD 1.875.000 (equivalent to YTL 2.635.500) as current. The Company makes principal and interest payments of the related borrowing in accordance with the current redemption schedule as of 31 December 2006.

With respect to a long term borrowing of EUR 6.000.000, the Group signed a cross currency swap agreement with Morgan Stanley & Co. International Limited together with the undersigned International Swaps and Derivatives Association ("ISDA") master agreements, related appendices and corresponding swap confirmation documents. In line with this agreement, the Company swapped the borrowing amounting to EUR 6.000.000 with the interest rate of Euribor +5,60% p.a., with a currency swap amounting to YTL 11.694.000, using the interest rate of YTL swap curve +8,50% p.a.. The gain or loss are recognised in the income statement under other income/ (expenses) (Note 38) and finance income and expenses (Note 39) relating to the cross currency swaps. Related to the long-term borrowing amounting to EUR 5.000.000, Yaşar Holding A.Ş., which is the main shareholder of the Company, has several required financial ratios to be met. Since the consolidated financial statements of Yaşar Holding A.Ş. as of 31 December 2006 have not been audited by the independent auditors, Yaşar Holding A.Ş. management expects to meet the required criterias through the preliminary works they have performed.

Guarantees given related with the bank borrowings and financial liabilities are stated in Note 19 and 31.

The redemption schedules plan of principal amounts of long-term bank borrowings at 31 December 2006 are as follows:

1-2 years	2.124.773
2 years and over (last payment in 2013)	12.506.715
	14.631.488

The carrying amounts and fair values of borrowings are as follows:

	Carrying Amounts		Fair Values	
	2006	2005	2006	2005
Bank borrowings	**28.122.753**	**55.097.653**	**29.482.100**	**57.086.019**

The fair values are based on cash flows discounted using weighted average interest rates of 5,16% p.a., 3,91% p.a. and 16,17% p.a. for USD, EUR and YTL denominated bank borrowings as of 31 December 2006, respectively (2005: 4,90% p.a., 3,10% p.a. and 14,73% p.a. for USD, EUR and YTL denominated bank borrowings, respectively).

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2006	31 December 2005
a) Short-term trade receivables:		
Customer current accounts	1.985.268	1.934.573
Cheques and notes receivable	7.203.720	9.839.703
Other	191.229	266.530
	9.380.217	**12.040.806**
Less: Unearned finance income	(110.114)	(166.534)
Provision for impairment of receivables	(37.430)	(39.469)
	9.232.673	**11.834.803**

At 31 December 2006, the effective weighted average interest rate for short-term receivables is 18,86% p.a. (2005: 14,20% p.a.) and maturities are less than 3 months (2005: less than 3 months)

The movements in the provision for impairment of receivables are as follows:

	2006	2005
1 January	**39.469**	**39.712**
Collections (Note 38)	(2.039)	(243)
31 January	**37.430**	**39.469**

The Company's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables.

	31 December 2006	31 December 2005
b) Long term trade receivables:		
Deposits and guarantees given	2.639	2.433
	2.639	**2.433**
c) Short term trade payables:		
Supplier current accounts	39.152.356	37.883.757
Cheques in collection	25.001	-
	39.177.357	**37.883.757**
Less: Unincurred finance expense	(419.651)	(327.987)
	38.757.706	**37.555.770**

At 31 December 2006, the effective weighted average interest rate for short term trade payables is 18,88 % p.a. (2005: 14,23% p.a.) and maturities are less than 4 months (2005: less than 3 months)

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2006	31 December 2005
d) Long term trade payables:		
Supplier current accounts	10.292.094	2.706.792
Deposits and guarantees received	265.849	280.422
	10.557.943	**2.987.214**

Long term trade payables consist of the tangible and intangible asset purchases and the effective weighted average interest rate is 5,15% p.a. (2005: 6,27 % p.a.). Maturities are 7 years (2005: 8 years)

NOTE 8 - LEASING RECEIVABLES AND OBLIGATIONS

	31 December 2006	31 December 2005
Short term financial leasing	139.328	324.409
2007	-	119.454
2008 – 2010	296.430	254.104
Long tern financial leasing	**296.430**	**373.558**

At 31 December 2006, financial leasing consist of EUR 235.317, USD 44 and YTL 8 (2005: EUR 305.462, USD 158.766 and YTL 16).

The average weighted interest rate for lease obligations is 8,64% p.a. (2005: 7,68 p.a.), assuming the carrying values approximate their fair values.

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties and due to related parties balances and the transactions with related parties as of and for the years ended 31 December 2006 and 2005 are as follows:

a) Due from related parties – current

	31 December 2006	31 December 2005
YBP	46.551.208	65.298.209
Yataş	3.972.399	3.512.672
Pınar Entegre Et ve Un Sanayii A.Ş. (“Pınar Et”)	-	5.359.153
Other	51.226	80.394
	50.574.833	74.250.428
Less: Unearned finance income	(218.888)	(152.904)
Provision for doubtful receivables	(186.874)	(445.222)
	50.169.071	**73.652.302**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

a) Due from related parties – current (Continued):

YTL 10.641.283 of the Company's short-term receivables (2005: YTL 34.827.890) and YTL 13.467.837 of long-term receivables (2005: YTL 19.431.327), in total, YTL 24.109.120 (2005: YTL 54.259.217) from related parties at 31 December 2006 consist of loans obtained from various banks and financial institutions by the Company, and were transferred to related parties with the same conditions. Effective weighted average annual interest rates applied to USD, EUR and YTL denominated balances are 8,80% p.a., 6,98% p.a. and 12,50% p.a. respectively (2005: USD, EUR and YTL is 8,69% p.a., 6,37% p.a. and 22,08% p.a. respectively).

At 31 December 2006, the effective weighted average interest rate of the short term receivables from due from related parties is 19,01% p.a. (2005: 14,21%) and the maturities are less than 2 months (2005: less than 2 months).

Movement of the provision for doubtful receivables in the years 2006 and 2005 are as follows:

	2006	2005
1 January	**445.222**	**381.403**
Provision during the year (Note 38)	-	397.957
Collections during the year (Note 38)	(258.348)	(334.138)
31 January	**186.874**	**445.222**

The Company has a total receivable of YTL 60.019.045 from YBP (2005: YTL 84.203.000), which is an associate. YTL 25.171.424 of short-term trade receivables from YBP, originate from sales and distribution of manufactured products in the domestic market mainly performed by YBP (31 December 2005: YTL23.246.887). YTL 24.109.120 of the current and non-current receivables from YBP is related to principals and interest accruals of borrowings obtained by the Company and transferred to YBP with the same conditions (2005: YTL 48.454.089). The Company has another non-trade receivable of YTL 10.738.501 (2005: YTL 12.502.024) from YBP as of 31 December 2006. The monthly interest rate effective for this non-trade receivable is 2% per month- net (2005: 2,5% per month).

b) Due from related parties – non-current

	31 December 2006	31 December 2005
YBP	13.467.837	18.904.791
Pınar Et	-	526.536
	13.467.837	**19.431.327**

Effective weighted average annual interest rates applied to USD and EUR denominated long-term receivables from related parties are 10,37% p.a. and 9,10% p.a. respectively (2005: USD and EUR is 8,07% p.a. and 7,05% p.a., respectively). Redemption schedule of non-current receivables from related parties at 31 December 2006 is as follows:

1-2 years	1.773.837
2 years and more (final payment in 2013)	11.694.000
	13.467.837

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Due to related parties -current:

	31 December 2006	31 December 2005
Yadex Export-Import und Sedition GmbH ("Yadex")	6.161.475	4.691.077
Hdf FZ Co. ("Hdf")	890.887	494.511
Desa Enerji Elektrik Üretimi Otoprodüktör Grubu A.Ş. ("Desa Enerji")	718.616	504.016
Çamlı Yem Besicilik San. ve Tic. A.Ş. ("Çamlı Yem")	184.148	1.301.087
Yataş	117.870	65.564
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur Turizm")	91.656	-
Payable to personnel	89.102	109.886
Yaşar Holding A.Ş.	-	1.411.938
Other	497.432	503.911
	8.751.186	**9.081.990**
Less: Unearned finance expense	(9.480)	(16.487)
	8.741.706	**9.065.503**

YTL 6,161,475 (2005: 4,691,077) of the payables to related parties consist of the company's debts to Yadex.

The weighted average interest rate for the short-term trade payables to the related parties as of 31 December 2006, is 19,02% p.a.(2005: 14,23 % p.a.) and the terms are 2 months (2005: 2 months).

d) Product sales:

	2006	2005
YBP	293.567.126	282.500.772
Yataş	35.214.212	28.357.751
Pınar Et	879.052	856.031
Desa Otak	-	892.004
Other	400.584	433.065
	330.060.974	**313.039.623**

e) Service sales:

YBP	1.261.814	1.106.794
Çamlı Yem	202.698	224.225
Yaşar Holding A.Ş.	116.518	181.900
Pınar Et	112.416	435.932
Pınar Anadolu	36.852	57.226
Other	188.759	83.942
	1.919.057	**2.090.019**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

f) Product purchase:

	2006	**2005**
Çamlı Yem	15.939.263	11.529.566
Yadex	9.432.612	6.005.596
Desa Enerji	6.769.150	5.513.595
Hedef Ziraat	1.001.454	887.115
Pınar Anadolu	528.427	719.046
Pınar Et	20.858	328.009
Hdf	-	3.200.384
DYO Sentetik	-	717.109
Other	3.482	13.191
	33.695.246	**28.913.611**

The Company imports raw materials form abroad through Yadex and purchases seeds from Çamlı Yem in order to sell them to the milk suppliers.

g) Service purchase:

YBP	2.664.411	2.731.936
Yaşar Holding A.Ş.	2.660.927	2.211.596
Bintur Turizm	2.306.235	1.952.177
Yataş	1.040.201	821.798
Hdf	965.590	1.155.801
Other	136.982	428.183
	9.774.346	**9.301.491**

The Company's service purchases from YBP are related to advertisement and promotion expenses transferred by YBP. Service purchases from Yaşar Holding are consultancy, research and development services.

h) Financial expenses:

Yaşar Holding A.Ş.	470.338	1.601.609
Desa Otak	-	188.674
Diğer	399	42.438
	470.737	**1.832.721**

Financial expenses originating from Yasar Holding are related to the bails about the bank borrowings.

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i) Financial income:

	2006	2005
YBP	5.658.837	2.732.056
Yaşar Holding A.Ş.	815.643	360.077
Çamlı Yem	233.254	-
Pınar Et	202.881	171.859
Other	95.448	14.408
	7.006.063	**3.278.400**

Based on the examination performed by the CMB during 2006 related to the previous years, the CMB announced that the Company has to calculate the amount of uncharged bail expenses regarding the transfer loans in the prior years previously invoiced to the Company by Yaşar Holding and then issue invoices amounting to YTL 4.000.302 in 2006 for the principal and the overdue interest on the uncharged bail expenses, to the related group companies (Note 38).

j) Other income:

YBP	457.845	712.603
Other	56.576	91.147
	514.421	**803.750**

Other income resulting from YBP are related to the car rent.

k) Key management compensation:

Benefits to key management	1.358.336	1.492.961

l) Dividends paid:

Yapaş A.Ş.	5.996.325	1.541.914
Yaşar Holding A.Ş.	3.629.815	948.445
Other	6.106.730	1.555.236
	15.732.870	**4.045.595**

m) Dividends received:

Pınar Et (Note 38)	1.362.938	817.764
Pınar Anadolu (Note 16)	267.853	133.651
Çamlı Yem (Note 38)	-	29.032
	1.630.791	**980.447**

n) Purchase of property, plant and equipment:

Desa Otak	377.334	363.204
Yaşar Holding A.Ş.	131.536	-
Other	11.263	26.395
	520.133	**389.599**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

o) <u>Guarantees given:</u>

The Company jointly guarantees with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR 313 million (equivalent of YTL 579.519.500) (Note 31).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2006	31 December 2005
Other short term receivables:		
Value Added Tax ("VAT") receivables	10.000	2.401.497
Other receivables	25.944	25.263
	35.944	**2.426.760**

NOT 11 - BIOLOGICAL ASSETS

None (2005: None).

NOTE 12 - INVENTORIES

	31 December 2006	31 December 2005
Raw materials	11.255.873	8.484.459
Work-in-progress	5.433.398	5.118.304
Finished goods	8.233.738	7.479.882
Merchandise stocks	954.445	205.414
Promotion stocks	705.667	64.036
Order advances given	712.704	798.496
Spare parts	1.962.137	1.276.746
	29.257.962	**23.427.337**

Cost of materials recognised as expense and included in cost of goods sold are amounting to 233.100.617 (2005: YTL 209.061.810).

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

None (2005: None).

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 14 - DEFERRED INCOME TAX ASSETS AND LIABILITIES

The Company calculates deferred income tax assets and liabilities based on temporary differences between the financials prepared in accordance with the CMB Communiqué No: XI-25 and financial statements prepared according to the Turkish tax legislation.

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% (2005: 30%).

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) provided at 31 December 2006 and 31 December 2005 using the enacted future tax rates is as follows:

	31 December 2006		31 December 2005	
	Cumulative temporary differences	Deferred income tax assets (liabilities)	Cumulative temporary differences	Deferred income tax assets (liabilities)
Restatement difference on property, plant and equipment	39.361.293	(7.872.259)	48.753.694	(14.626.108)
Revaluation of buildings	23.729.495	(4.745.899)	25.064.208	(7.519.262)
Depreciation difference calculated on the new economic useful lives	17.710.669	(3.542.134)	13.477.203	(4.043.161)
Revaluation of property, plant and equipment	10.625.645	(2.125.129)	11.768.566	(3.530.570)
Revaluation on lands	31.892.280	(1.594.614)	-	-
Restatement difference on intangible assets	2.011.968	(402.394)	2.794.582	(838.375)
Restatement difference on inventories	321.903	(64.381)	270.746	(81.224)
Impairment on machinery and equipment	(4.523.640)	904.728	(4.660.979)	1.398.294
Impairment of available-for-sale investments	(3.996.471)	799.294	-	-
Provision for employment termination benefits (Note 23)	(2.889.504)	577.901	(2.689.677)	806.903
Fair value reserves of available-for-sale investments	6.953.924	(347.696)	-	-
Impairment on intangible assets (Note 20)	(1.000.000)	200.000	-	-
Provision for litigations (Note 23)	(358.032)	71.606	-	-
Provision for doubtful receivables (Note 9)	(186.874)	37.375	(445.222)	133.567
Other	99.041	(19.808)	140.656	(42.197)
Deferred tax assets		2.590.904		2.338.764
Deferred tax liabilities		(20.714.314)		(30.680.897)
Deferred tax liabilities-net		**(18.123.410)**		**(28.342.133)**

Movements in deferred taxes can be analysed as follows:

	2006	2005
1 January	**(28.342.133)**	**(33.806.288)**
Charge to fair value reserve of available-for-sale investments (Note16)	(347.696)	-
Charge to revaluation reserve (Note 19)	2.584.190	4.158.407
Credited to income statement (Note 41)	7.982.229	1.305.748
31 December	**(18.123.410)**	**(28.342.133)**

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NOTE 15 - OTHER CURRENT/ NON-CURRENT ASSETS AND CURRENT/ NON-CURRENT LIABILITIES

	31 December 2006	31 December 2005
a) Other current assets:		
Prepaid expenses	568.502	764.467
Other	8.883	-
	577.385	**764.467**
b) Other non-current assets:		
Prepaid expenses	45.607	45.607
	45.607	**45.607**
c) Other short term liabilities:		
Taxes and funds payable	1.113.799	959.462
Payables arising from the sponsorship agreement	100.000	-
Payables arising from acquisition of equity invesments	-	551.866
Other	7.358	17.012
	1.221.157	**1.528.340**

NOTE 16 - FINANCIAL ASSETS

	31 December 2006	31 December 2005
Available-for-sale investments	27.224.040	24.610.784
Investments in associates	24.070.193	17.460.357
	51.294.233	**42.071.141**

Available-for-sale investments:

	31 December 2006		31 December 2005	
	YTL	Shareholding %	YTL	Shareholding %
Pınar Et	14.719.730	12,58	12.539.030	12,58
Çamlı Yem	8.441.943	5,59	6.942.560	5,59
Pınar Su Sanayi ve Ticaret A.Ş. (“Pınar Su”)	3.635.766	8,81	2.962.476	8,81
Yataş	293.910	1,96	-	2,00
Bintur Turizm	113.330	1,33	134.207	1,33
Desa Enerji	-	15,00	2.013.150	15,00
Other	19.361	-	19.361	-
	27.224.040		**24.610.784**	

Pınar Et and Pınar Su were stated at quoted market prices as they are listed on ISE; Çamlı Yem, Desa Enerji and Bintur were stated at their fair values calculated using generally accepted valuation techniques; Yataş, whose fair value cannot be determined reliably has been stated at cost less provision for impairment.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 16 - FINANCIAL ASSETS (Continued)

Movements of available-for-sale investments during the year is as follows:

		2006		2005
1 January		**24.610.784**		**15.429.742**
Additions:				
Yataş- Capital increase		399.741		199.872
Çamlı Yem- Capital increase		-		290.321
Reclassification from associates:				
Pınar Su		-		3.654.613
Fair value gain/ (loss):		**4.353.373**		**5.395.020**
Pınar Et	2.180.700		4.857.512	
Çamlı Yem	1.499.383		1.229.645	
Pınar Su	673.290		(692.137)	
Impairment losses (Note 38):		**(2.139.858)**		**(358.784)**
Desa Enerji	(2.013.150)		-	
Yataş	(105.831)		(199.872)	
Bintur	(20.877)		(158.912)	
31 December		**27.224.040**		**24.610.784**

Movements of fair value reserves of available-for-sale investments are as follows:

	2006	2005
1 January	**(420.907)**	**(5.815.927)**
Change in fair value of Pınar Et	2.180.700	4.857.512
Change in fair value of Çamlı	1.499.383	1.229.645
Change in fair value of Pınar Su	673.290	(692.137)
Deferred income tax on fair value reserves of available-for-sale investments (Note 14)	(347.696)	-
31 December	**3.584.770**	**(420.907)**

Investments in associates:

	31 December 2006		31 December 2005	
	YTL	Shareholding %	YTL	Shareholding %
YBP	22.002.745	31,95	16.159.803	31,95
Pınar Foods	1.194.305	44,94	780.735	44,94
Pınar Anadolu	873.143	20,00	519.819	20,00
Total	**24.070.193**		**17.460.357**	

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 16 - FINANCIAL ASSETS (Continued)

Movement of investments in associates is as follows:

	2006	2005
1 January	**17.460.357**	**13.670.506**
Share of results of associates (Note 38)	4.080.948	5.338.317
Share of taxation on associates (Note 41)	1.612.037	(1.856.075)
Increases in fair value reserves of associates	1.200.374	1.461.766
Currency translation reserve	16.468	683
Acquisitions of shares in associates	-	4.513.249
Distribution to shareholders (Note 17)	-	(5.537.877)
Dividend income (Note 9)	(267.853)	(133.651)
Revaluation reserve of associates	(32.138)	3.439
31 December	**24.070.193**	**17.460.357**

Movements in revaluation reserve of associates are as follows:

	2006	2005
1 January	**207.986**	**204.547**
YBP revaluation reserve change	(32.138)	3.439
31 December	**175.848**	**207.986**

The financial information of the investments-in-associates in 2006 and 2005 were as follows:

	2006			2005		
	Assets	Liabilities	Profit for the year	Assets	Liabilities	Profit for the year
- YBP	216.271.088	146.981.395	**14.905.957**	252.125.706	201.547.294	**10.264.564**
- Pınar Foods	4.795.385	2.137.834	**612.069**	3.686.731	1.949.450	**392.265**
- Pınar Anadolu	7.078.743	2.713.016	**3.105.887**	4.960.126	2.361.022	**1.578.793**

NOTE 17 - POSITIVE/ NEGATIVE GOODWILL

a) On 30 May 2003, the Company acquired 105.600 shares of Marmara Su A.Ş. (formerly Altınbaş Doğal Kaynak Suyu Gıda Üretim ve Ticaret A.Ş.) corresponding to 44% of its share capital to a purchase consideration of YTL 2.407.780 (equivalent of USD 1.540.000).

	1 January 2005	Additions	Disposals (*)	31 December 2005
Negatif goodwill	(576.710)	-	576.710	-
Amortization	182.625	-	(182.625)	-
Net book value	**(394.085)**	**-**	**394.085**	**-**

(*) Negative goodwill with a net book value of YTL 394.085 as of 1 January 2005 was derecognised from financial statements according to IFRS 3 (Note 3).

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NOTE 17 - POSITIVE/ NEGATIVE GOODWILL (Continued)

b) On 5 August 2005, the Company acquired 4.801.800.000 shares of YBP corresponding to 6% of its share capital for a cash consideration of YTL 8.167.862 based on the fair value determined by an independent valuer from Çamlı Yem Besicilik ve San. Tic. A.Ş., which is the related party and available-for-sales investment of the Company. Together with this acquisition the shares of the Company in YBP increased from 25,95% to 31,95%. The difference between purchase consideration and the carrying amount of the net asset acquired, has been accounted for under the shareholder's equity as "Distribution to shareholders", since this transaction took place among entities under common control.

Assets as a result of the purchases are as follows:

Purchase consideration

Cash paid	8.167.862
Carrying amount of net assets acquired	(2.629.985)
Distribution to shareholders' due to share transfer	**5.537.877**

NOTE 18 - INVESTMENT PROPERTY

	1 January 2006	Additions	Disposals	31 December 2006
Fair value:				
Buildings	1.058.751	-	-	1.058.751
Net book value	**1.058.751**			**1.058.751**

	1 January 2005	Additions	Disposals	Transferler (Note 19)	31 December 2005
Fair value:					
Buildings	2.161.501	-	-	(1.102.750)	1.058.751
Net book value	**2.161.501**			**(1.102.750)**	**1.058.751**

Investment properties are stated at market values determined by external independent valuer Elit Gayrimenkul Değerleme A.Ş. at 31 December 2004 under the assumption of that their fair value approximates to their carrying value at 31 December 2006 according to market conditions in this region

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 Janury 2006	Additions	Disposals	Transfers	31 December 2006
Cost or valuation:					
Land	36.244.000	-	-	-	36.244.000
Buildings and land improvement	77.201.391	527.443	-	188.720	77.917.554
Machinery and equipment	162.685.444	14.381.195	(1.094.128)	1.563.476	177.535.987
Motor vehicles	8.930.923	207.028	(2.493.633)	-	6.644.318
Leased motor vehicles	2.223.121	-	-	-	2.223.121
Furniture and fixtures	32.351.777	4.180.836	(7.868.485)	208.761	28.872.889
Construction in progress and advances given	1.660.435	1.976.791	-	(1.960.957)	1.676.269
Total cost	**321.297.091**	**21.273.293**	**(11.456.246)**	**-**	**331.114.138**
Accumulated depreciation:					
Buildings and land improvement	(22.958.957)	(2.065.158)	-	-	(25.024.115)
Machinery and equipment	(92.111.875)	(5.266.406)	900.166	-	(96.478.115)
Motor vehicles	(8.511.740)	(136.381)	2.493.558	-	(6.154.563)
Leased motor vehicles	(270.288)	(263.886)	-	-	(534.174)
Furniture and fixtures	(21.892.601)	(2.644.448)	4.728.963	-	(19.808.086)
	(145.745.461)	**(10.376.279)**	**8.122.687**	**-**	**(147.999.053)**
Net book value	**175.551.630**				**183.115.085**

The Company has given mortgages amounting to YTL 52.460.684 as of 31 December 2006 (2005: YTL 94.069.515) for loans obtained from several financial institutions (Note 31).

The major additions to property, plant and equipment related to the modernisation of production line and recently acquired cheese processing machinery.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment and accumulated depreciation for the period ended 31 December 2005 were as follows:

	1 January 2005	Additions	Disposals	Revaluation reserve	Impairment loss on propert, plant and equipment (Note 38)	Transfers (Note 18)	31 December 2005
Cost or valuation							
Land	36.244.000	-	-	-	-	-	36.244.000
Buildings and land improvement	74.811.549	575.029		-	-	1.814.813	77.201.391
Machinery and equipment	174.782.251	2.780.095	(795.841)	(11.199.990)	(3.024.885)	143.814	162.685.444
Motor vehicles	9.541.034	281.755	(891.866)	-	-	-	8.930.923
Leased motor vehicles	1.608.566	614.555	-	-	-	-	2.223.121
Furniture and fixtures	30.412.273	2.399.775	(519.228)	-	-	58.957	32.351.777
Contruction in progress and advances given	682.783	1.892.486	-	-	-	(914.834)	1.660.435
Total cost	**328.082.456**	**8.543.695**	**(2.206.935)**	**(11.199.990)**	**(3.024.885)**	**1.102.750**	**321.297.091**
Accumulated depreciation							
Buildings and land improvement	(21.014.193)	(1.944.764)	-	-	-	-	(22.958.957)
Machinery and equipment	(87.847.337)	(4.661.458)	396.920	-	-	-	(92.111.875)
Motor vehicles	(9.245.344)	(158.262)	891.866	-	-	-	(8.511.740)
Leased motor vehicles	(152.686)	(117.602)	-	-	-	-	(270.288)
Furniture and fixtures	(20.066.283)	(2.175.549)	349.231	-	-	-	(21.892.601)
	(138.325.843)	**(9.057.635)**	**1.638.017**	**-**	**-**	**-**	**(145.745.461)**
Net book value	**189.756.613**						**175.551.630**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

YTL 7.269.465 (2005: YTL 6.396.471) of depreciation and amortisation expenses were charged to costs of production, YTL 2.716.579 (2005: YTL 2.318.768) to selling and marketing costs (Note 37), YTL 1.369.493 (2005: YTL 1.304.108) to general administrative expenses (Note 37) and YTL 114.924 (2005: YTL 107.902) to research and development expenses.

Movements in revaluation reserve related to land, land improvements, buildings, machinery and equipment in 2006 and 2005 were as follows:

	2006	2005
1 Ocak	**58.019.844**	**67.722.793**
Effect of tax rate and regulations change (Note 14)	2.088.663	-
Depreciation transferred from retained earnings	(2.477.634)	(2.557.615)
Deffered income tax calculated on depreciation transfer (Note 14)	495.527	767.285
Decrease in revaluation reserve of machinery , plant and equipment	-	(11.199.990)
Deffered income tax calculated on decrease in revaluation reserve on machinery, plant and equipment (Note 14)	-	3.359.997
Disposal from revaluation reserve	-	(103.751)
Deffered income tax calculated on disposal from revaluation reserve	-	31.125
31 December	**58.126.400**	**58.019.844**

NOTE 20 - INTANGIBLE ASSETS

	1 January 2006	Additions	Impairment of intangible assets (Note 38)	31 December 2006
Rights	10.933.005	222.515	(1.000.000)	10.155.520
Less: Amortisation	(4.986.363)	(1.094.182)	-	(6.080.545)
Net book value	**5.946.642**			**4.074.975**

	1 January 2005	Additions	31 December 2005
Rights	10.890.794	42.211	10.933.005
Less: Amortisation	(3.916.749)	(1.069.614)	(4.986.363)
Net book value	**6.974.045**		**5.946.642**

NOTE 21 - ADVANCES RECEIVED

At 31 December 2006, order advances received is amounting to YTL 19.349 (2005: YTL 16.839).

NOTE 22 - PENSION PLANS

There are no pension plans other than the provision for employment termination benefits explained in Note 23 - Provisions for Costs and Expenses.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 23 - PROVISIONS

	31 December 2006	31 December 2005
a) Short-term provisions		
Current income tax liabilities (Note 41)	441.143	919.048
Provision for litigations	358.032	41.968
Other	24.842	67.403
	824.017	**1.028.419**
b) Long-term provisions		
Provision for employment termination benefits	2.889.504	2.689.677
	2.889.504	**2.689.677**

Provision for employment termination benefits has been calculated in accordance with the legal requirements as explained below.

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

The amount payable consists of one month's salary limited to a maximum of YTL 1.857,44 for each year of service as of 31 December 2006 (2005: YTL 1.727,15).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

The Communiqué requires actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	2006	2005
Discount rate (%)	5,71	5,49
Turnover rate to estimate the probability of retirement (%)	96	96

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 23 - PROVISIONS (Continued)

The principal assumption is that the 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. The maximum amount of YTL 1.960,69 which is effective from 1 January 2007 (1 January 2006: YTL 1.770,90) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

Movements of the provision for employment termination benefits in 2006 and 2005 are as follows:

	2006	2005
1 January	**2.689.677**	**2.559.149**
Interest cost	124.829	112.168
Actuarial (gains)/ losses	(23.732)	7.667
Paid during the year	(475.780)	(526.121)
Increase during the year	574.510	536.814
31 December	**2.889.504**	**2.689.677**

YTL 675.607 (2005: YTL 656.649) of the interest cost, actuarial gains and losses and the increase during the year have been charged to general and administrative expenses (Note 37).

NOTE 24 - MINORITY INTEREST

None (2005: None).

NOTE 25 - SHARE CAPITAL/ TREASURY SHARES

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of YTL 1. The Company's historical authorised registered share capital at 31 December 2006 is YTL 80.000.000.

The shareholders of the Company and their shareholdings to capital with historical figures as at
31 December 2006 and 31 December 2005 are stated below:

	31 December 2006		31 December 2005	
	Share (%)	**YTL**	**Share (%)**	**YTL**
Yaşar Holding A.Ş.	61,19	27.503.258	23,44	10.538.296
Halka arz	37,95	17.060.367	37,58	16.892.971
Yapaş A.Ş.	-	-	38,11	17.132.358
Other	0,86	387.426	0,87	387.426
		44.951.051		**44.951.051**
Inflation adjustment to share capital		16.513.550		16.513.550
Total paid-in capital		**61.464.601**		**61.464.601**

NOTE 25 - SHARE CAPITAL/ TREASURY SHARES (Continued)

There are 44.951.051 (2005: 44.951.051) shares with a face value of 1 YTL each as of 31 December 2006. Inflation adjustment to share capital represents the restatement effect of the cash contributions to share capital at purchasing power of 31 December 2004.

Due to the transfer of the shares of Yapaş A.Ş. to Yaşar Holding A.Ş. as of 19 June 2006 in accordance with the article 451 of the Turkish Commercial Code and article 37-39 of the Corporate Tax Law, the participation rate of Yaşar Holding to the Company has increased from 23,44% to 61,19%.

The Company's capital is composed of A and B type registered share and C type bearer share, and the C type bearer shares are traded on the Istanbul Stock Exchange (ISE).

In accordance with the articles of association, the shareholders of A and B type registered shares are granted a privilege to nominate a candidate to the board of directors. Moreover, the chairperson of the board and the executive director are selected among the shareholders of A type shares.

NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

Applicable from 1 January 2006, net income computed in accordance with Communiqué XI/25 must be distributed in the ratio of a minimum of 20% (2005: 30%) of total distributable profit. Based on the decision of the General Assembly, the distribution of a minimum of 20% of the distributable profit can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares.

In accordance with the CMB's decision, the companies are allowed to offset the amount, and differences arise during the restatement of the financial statements for the effects of hyperinflation for the first time and followed under "inflation adjustment to shareholders' equity", of where, equity, share premium, extraordinary reserves, legal reserves and statutory reserves are recognized at book value, in accordance with the framework of CMB for profit distribution.

Inflation adjustment of shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' losses, and used in the distribution of bonus shares and distributions of dividends to shareholders.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS (Continued)

In accordance with the above explanation and the Communiqué XI/25, the historic and inflation adjusted values and inflation adjustment differences of the components of the equity at 31 December 2006 are as follows:

	31 December 2006			31 December 2005		
	Nominal values	Restated values	Inflation adjustment of shareholders' equity	Nominal values	Restated values	Inflation adjustment of shareholders' equity
Capital	44.951.051	61.464.601	16.513.550	44.951.051	61.464.601	16.513.550
Legal reserves	5.169.966	15.551.821	10.381.855	2.619.087	13.000.942	10.381.855
Extraordinary reserves	4.500.149	4.500.149	-	594.132	594.132	-
	54.621.166	**81.516.571**	**26.895.405**	**48.164.270**	**75.059.675**	**26.895.405**

NOTE 29 - FOREIGN CURRENCY POSITION

	31 December 2006			
	USD	**EUR**	**Other**	**YTL**
Assets:				
Cash and cash equivalents	65.193	22.470		133.238
Due from related parties	8.210.297	758.517	-	12.944.788
	8.275.490	**780.987**	**-**	**13.078.026**
Liabilities:				
Borrowings- short-term	(7.201.479)	(785.831)	-	(11.577.364)
Lease obligations - short-term	-	(75.247)	-	(139.320)
Trade payables- short-term	(618.132)	(2.305.744)	(84.878)	(4.964.755)
Due to related parties	(1.055.963)	(2.952.483)	-	(6.950.784)
Borrowings- long-term	(845.200)	(6.944.896)	-	(14.046.488)
Lease obligations - long-term	(44)	(160.070)	-	(296.430)
Trade payables- long -term	-	(5.558.787)	-	(10.292.094)
	(9.720.818)	**(18.783.058)**	**(84.878)**	**(48.267.235)**
Net foreign currency liability position	**(1.445.328)**	**(18.002.071)**	**(84.878)**	**(35.189.209)**
Off balance sheet sections				
Derivative financial assets (Note 6)	-	6.143.052	-	11.373.861
Net foreign currency liability position	**(1.445.328)**	**(11.859.019)**	**(84.878)**	**(23.815.348)**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	31 December 2005			
	USD	**EUR**	**Other**	**YTL**
Assets:				
Cash and cash equivalents	502.060	-	-	673.664
Due from related parties	25.134.018	7.875.618	-	46.227.369
	25.636.078	**7.875.618**	**-**	**46.901.033**
Liabilities:				
Borrowings - short-term	(13.843.013)	(3.805.193)	-	(24.615.299)
Lease obligations - short-term	(158.722)	(70.186)	-	(324.393)
Trade payables - short-term	(186.183)	(869.262)	(111.123)	(1.835.221)
Due to related parties	(661.921)	(2.707.038)	-	(5.185.588)
Other short-term liabilities	(411.288)	-	-	(551.866)
Borrowings - long-term	(9.457.176)	(4.564.491)	-	(19.935.767)
Lease obligations - long-term	(44)	(235.276)	-	(373.558)
Trade payables - long-term	-	(1.705.066)	-	(2.706.792)
	(24.718.347)	**(13.956.512)**	**(111.123)**	**(55.528.484)**
Net foreign currency liability position	**917.731**	**(6.080.894)**	**(111.123)**	**(8.627.451)**

NOTE 30 - GOVERNMENT GRANTS

None (2005: None).

NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2006	31 December 2005
a) Guarantees Given		
Bails given	579.519.500	18.187.480
Mortgages (Note 19)	52.460.684	94.069.515
Guarantee letters	3.325.025	2.523.336
	635.305.209	**114.780.331**

As of 31 December 2006, guarantees given are mainly related with joint guarantees provided by the Company along with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. for repayment of borrowings obtained by Yaşar Group companies from international capital markets amounting to EUR313.000.000 (equivalent of YTL 579.519.500).

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

	31 December 2006	31 December 2005
b) Guarantees received		
Bails	11.109.000	-
Guarantee letters	2.096.755	2.134.571
Guarantee cheques	1.187.770	1.225.425
Guarantee notes	481.516	255.051
	14.875.041	**3.615.047**

Foreign currency amounts of guaranties and mortgages are as follows:

Guarantees given	EUR	313.000.000	1.609.770
	USD	-	11.754.956
Guarantees received	EUR	6.471.731	147.662
	USD	105.717	855.717
Mortgages given	USD	17.500.000	29.500.000
	EUR	7.487.272	7.487.272

c) Purchase commitments:

The Company has purchase commitments of rare milk purchases amounting to 6.000 tons from Directorate of Agriculture (2005: 6.650 tons).

d) Other commitments:

As a result of the agreement made with one of the suppliers of the Company's associate, YBP, the Company has guaranteed the redemption YBP's debts amounting to YTL 16.570.374 as of 31 December 2006 (2005: YTL 18.260.376) to the supplier.

NOTE 32 - BUSINESS COMBINATIONS

None (2005: None).

NOTE 33 - SEGMENT REPORTING

None (2005: None).

NOTE 34 - SUBSEQUENT EVENTS

At 31 December 2006, YTL 14.000.000 portion of mortgages given related to loans obtained by the Company amounting to YTL 52.460.684 (Note 31) are ceased in the subsequent period.

NOTE 35 - DISCONTINUED OPERATIONS

None (2005: None).

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 36 - OPERATING REVENUE

The breakdown of sales income for the period 1 January- 31 December is as follows:

	1 January- 31 December 2006	**1 January- 31 December 2005**
Domestic sales	417.221.612	388.875.265
Export sales	36.019.398	29.411.342
Commercial good sales	16.375.367	11.765.461
Other	1.155.976	823.396
Gross Sales	470.772.353	430.875.464
Less: Discounts	(100.595.936)	(99.302.005)
Returns	(13.055.029)	(10.439.572)
Net sales	**357.121.388**	**321.133.887**
Cost of sales	**(288.573.653)**	**(252.090.226)**
Gross profit	**68.547.735**	**69.043.661**

NOTE 37 - OPERATING EXPENSES

	1 January - 31 December 2006	**1 January - 31 December 2005**
i. Selling and distribution expenses:		
Advertisement	22.377.046	19.112.165
Outsourced services	2.733.121	1.925.499
Depreciation and amortisation	2.716.579	2.318.768
Transportation	2.383.920	2.499.954
Staff costs	2.137.526	1.586.178
Other	1.957.464	1.448.398
	34.305.656	**28.890.962**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006
(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 37 - OPERATING EXPENSES (Continued)

	1 January - 31 December 2006	1 January - 31 December 2005
ii. General administrative expenses:		
Staff costs	3.561.256	3.110.726
Consultancy expenses	2.797.572	2.411.200
Depreciation and amortisation	1.369.493	1.304.108
Employment termination benefits (Note 23)	675.607	656.649
Outsourced services	650.060	672.025
Taxes and duties (Corporate tax excluded)	443.976	299.230
Communication	299.574	292.991
Representation	228.158	251.879
Stationary	204.685	233.435
Repair and maintenance	183.847	175.894
Energy and utilities	168.523	105.886
Travel expenses	149.274	121.420
Registration fees	136.358	201.127
Other	1.217.602	1.482.626
	12.085.985	**11.319.196**
iii. Research and development expenses:	**3.446.603**	**2.731.043**
Total operating expenses	**49.838.244**	**42.941.201**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 38 - OTHER INCOME AND EXPENSES

	1 January- 31 December 2006	1 January - 31 December 2005
Other income:		
Interest income	7.212.436	8.698.178
Foreign exchange gain	5.411.537	4.474.919
Share of results of associates (Note 16)	4.080.948	5.338.317
Bail income (Note 9)	4.000.302	-
Dividend income	1.362.938	846.796
Revenue from scrap sales and other materials	599.242	424.888
Collected doubtful receivables (Note 7 and 9)	260.387	334.381
Gain from sales of property, plant and equipment	82.344	-
Other	1.669.294	1.505.692
	24.679.428	**21.623.171**
Other expenses:		
Impairment on available-for-sale investments (Note 16)	(2.139.858)	(358.784)
Scrap loss on property, plant and equipment	(2.068.113)	-
Impairment on intangible assets (Note 20)	(1.000.000)	-
Litigation cost (Note 23)	(358.032)	-
Impairment on property, plant and equipment (Note 19)	-	(3.024.885)
Bad debt expense (Note 9)	-	(397.957)
Loss from property, plant and equipment sales	-	(278.208)
Other	(307.163)	(306.505)
	(5.873.166)	**(4.366.339)**

NOTE 39 - FINANCE EXPENSES

	1 January - 31 December 2006	1 January - 31 December 2005
Foreign exchange loss	(6.471.447)	(3.411.404)
Interest expenses	(3.710.658)	(5.668.181)
Interest expense from swap transaction (Note 6)	(622.340)	-
Foreign exchange loss from swap transactions (Note 6)	(585.000)	-
Bail expenses	(425.639)	(1.358.036)
Other	(415.164)	(784.565)
	(12.230.248)	**(11.222.186)**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 40 - GAIN/LOSS ON NET MONETARY POSITION

None (2005: None).

NOTE 41 -TAXES ON INCOME

		31 December 2006	31 December 2005
Taxes	payable	6.293.849	9.397.012
Less:	Prepaid taxes	(3.121.780)	(8.477.964)
	Deductible VAT receivable	(2.730.926)	-
Provision for taxes		**441.143**	**919.048**

Corporation tax is payable at a rate of 20% for 2006 (2005: 30%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed. (Except for the stoppage paid at a rate of 19,8% over the utilised investment incentives used in accordance with the temporary article no 61 of the Income Tax Law).

Dividends paid to non-resident corporations having a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2005: 10%). Addition of profit to capital is not considered as a profit distribution.

In accordance with Law No: 5479 enacted following the announcement on Official Gazette dated 8 April 2006 and amendments to Income Tax Law No: 193, corporate taxpayers can utilise unused investment incentives at 31 December 2005; within the scope of investments that have already begun in accordance with the investment incentive certificates obtained with respect to submissions made prior to 24 April 2003, and prior to the removal of the articles 1,2,3,4,5 and 6 of Income Tax Law No: 193 by issuance of Law No: 4842 enacted on 9 April 2003; the investments that will be made after 1 January 2006 provided that they meet such criteria and within the scope of the repealed article No: 19 of Income Tax Law No: 193, related to the investments that began before 1 January 2006, investments made after 1 January 2006 which by technical and economical substance are complementary to previous investments can only be offset from the profits incurred in years 2006, 2007 and 2008, in accordance with the enacted laws on 31 December 2005 (including articles regarding applicable tax rates).In this respect, as the Company did not prefer utilising investment incentive allowance exemption, corporation tax is payable at a rate of 20%.

Corporations are required to pay advance corporation tax quarterly at the rate of %20. (2005: 30%) on their corporate income. Advance tax is payable by the 17th (2005: 17th)of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set-off against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Accounting records are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 41 - TAXATION ON INCOME (Continued)

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to 5 years. However, Tax losses cannot be carried back to offset profits from previous periods.

In Corporate Tax Law, there has been settled a number of exemptions for companies, of which the Company may benefit are explained as follows:

The dividend income obtained from the companies that are corporate tax payers, in share capital of which has been invested, are exempted from the corporate tax, except for the income retrieved from investment fund contribution certificates and investment fund shares.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2005: 10%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realised.

Accordingly, the aforementioned gains/ (losses) which have been included in trade profit/ (loss) have been taken into consideration in calculation of Company's corporate tax.

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 8th, 9th and 10th articles of Corporate Tax Law and 40th article of the Income Tax Law have been taken into consideration in calculation of the Company's corporate tax.

Taxes on income presented on income statement for the periods ended 31 December are summarised as follows:

	1 January- 31 December 2006	**1 January- 31 December 2005**
- Current corporation tax expense	(6.293.849)	(9.397.012)
- Deferred tax income (Note 14)	7.982.229	1.305.748
- Share of taxation of associate (Note 16)	1.612.037	(1.856.075)
Taxes on income	**3.300.417**	**(9.947.339)**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 41 - TAXATION ON INCOME (Continued)

Reconciliation of taxation on income for the years ended 31 December 2006 and 2005 are as follows:

	1 January- 31 December 2006	1 January- 31 December 2005
Profit before tax	**25.285.505**	**32.137.106**
Tax calculated at tax rates applicable to the profit	(5.057.101)	(9.641.132)
Effect of changes in effective tax rates and regulations	5.808.623	-
Effect of share of results of assocaites	2.455.289	(254.580)
Share of taxation on associates	799.294	-
Income not subject to tax	390.260	297.064
Tax effect of depreciation transfer (Note 19)	(495.527)	(767.285)
Tax effect of impairment on available-for-sale investments	(427.972)	(107.635)
Expenses not deductible for tax purposes	(98.583)	(131.357)
Tax effect of investment incentives	-	765.979
Other	(73.866)	(108.393)
Total tax income/(loss)	**3.300.417**	**(9.947.339)**

NOTE 42 - EARNINGS PER SHARE

Earnings per share stated in the statement of income is calculated by dividing the net profit to weighted average number of shares in the current period. For the period ended 31 December 2006, YTL 0,6359 (2005: YTL 0,4936) net profit per share with a face value of YTL 1 has been calculated. As of the date of preparation of these financial statements, the Board of Directors of the Company has not prepared the proposal for the profit distribution to be presented to the General Assembly.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

		1 January- 31 December 2006	1 January- 31 December 2005
Net profit for the period (YTL)	A	28.585.922	22.189.767
Number of shares with face value of 1 YTL each	B	44.951.051	44.951.051
Earnings per share (YTL)	**A/B**	**0,6359**	**0,4936**

There are no differences between basic and diluted earnings per share.

NOTE 43 - STATEMENT OF CASH FLOWS

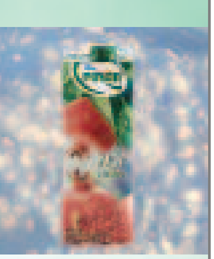
Statements of cash flows are presented with financial statements (Please refer to page 6).

NOTE 44 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None (2005: None).

NOTE 45 - EXPLANATION ADDED FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2006, the accounting principles described in Note 2 (defined as ‘CMB Accounting Standards’) to the financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of the basic financial statements and the notes to them. Accordingly, the financial statements are not intended to present the financial position and results of operations in accordance with IFRS.



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