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)

Başaran Nas Bağımsız Denetim
ve Serbest Muhasebeci
Mali Müşavirlik A.Ş.
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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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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.

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.

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 YEARS 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) attributable 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

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 associat (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 A.Ş.

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	Reservation 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 earning	-	-	-	-	-	-	-	-	-	-	(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 CASH FLOW
FOR THE YEARS ENDED AT 31 DECEMBER 2006 AND 2005

(Amounts expressed in thousands of 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.

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

The main operations of Pınar Süt Mamulleri Sanayi 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 items 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 items 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 items 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 items 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 items 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.
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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;

<u>Income taxes</u>

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 YTL2.635.500) 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 Sanayi 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.

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

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

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) Guarantees given:

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 YTL579.519.500) (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 difference**	**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)**

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

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	
		Shareholding		Shareholding
	YTL	%	YTL	%
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).

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

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: YTL2.318.768) 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 YTL1. 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 chairman 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 items				
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 YTL579.519.500).

(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**

(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: 17^{th})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 8^{th,} 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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