



PINAR SU SANAYİ ve TİCARET A.Ş.
ANNUAL REPORT 2006



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Standing (L-R): Ahmet Olcay SUNUCU (Member), **Mehmet AKTAŞ** (Member)
Yılmaz GÖKOĞLU (Member), **B. Safa OCAK** (Member)

Seated (L-R): Ata Murat KUDAT (Member), **Hasan DENİZKURDU** (Chairperson)
Taşkın TUĞLULAR (Vice Chairperson)

04 Chairperson's Message

Dear Shareholders,

An overall assessment of the Turkish economy in 2006 reveals a year predominantly characterized by positive developments both on national and international level. The world economy did not sustain very adverse volatilities in 2006, whereas the satisfactory course of events in the domestic markets resulted in meeting the targets for 2006.

While stability was preserved in domestic politics, 2006 has been a year of increased interest particularly on the part of foreign investors as result of the privatization initiatives as well as the capital expansions of the private sector. Having more than doubled, the direct foreign capital inflow to Turkey reached USD 19.8 billion with a year-on rise of 105.2%.

Apart from the seasonal fluctuations in the course of the year, the single digit inflation rates that were targeted floated around the forecasted level and at year-end, the CPI stood at 9.65% owing to the budgetary discipline preserved and to the 6.5% non-interest surplus. On another wing, the share of budget deficit in the GNP dropped to 0.7%. Thanks to tight fiscal policies, the ratio of net public debt to GNP went down to 46-47% from its level of 78.4% in 2002.

An analysis as to the reasons behind the macroeconomic performance that has been successfully carried out since 2001 brings us to structural reforms made led by fiscal discipline, inflation-targeted monetary policy and the improvement in the banking supervision system.

The worldwide economic developments on the other hand indicate the high and variable energy prices as matters that still need to be monitored carefully. Another topic of concern is the spread of the downturn experienced in the housing sector in the USA across the economy. With the impact of globalization as well, a possible recession in the USA is forecasted to slow down the Asian economies in general, and the Chinese economy in particular.

Summer droughts and the decrease in precipitation resulting from the impact of global warming, an issue that started to be mentioned frequently in 2006, will create adverse effects on water resources and might lead to reduction of sources, constituting a risk factor for the national and world population.

Potable water resources in the world do not pose an even distribution and water problem varies depending on the geography. Preservation of water resources become a vital issue particularly in the regions with scarce water due to the fact that areas from which safe potable water is obtained get easily affected by external factors such as pollution.

Having introduced Turkey's first bottled natural spring water to the consumers, Pınar made use of the idle springs in our country. Today Pınar responds to the healthy water needs of Turkey, as well as of its export destinations, under the Pınar Madran, Pınar Yaşam Pınarım, Pınar Denge and Pınar Rain brands.



Executed in the second most comprehensive scope in Turkey following the USA and analyzing the competition in Turkey, the Turkish Customer Satisfaction Index (TCSI) survey's results for the second quarter of 2006 have been announced by KalDer, and the highest level of satisfaction was achieved in the soft drinks sector. In this sector covering water, fruit juices and carbonated soft drinks, Pinar, with a TCSI score of 80, was the establishment to offer highest satisfaction to the consumers from amongst the 13 multi-brand companies measured.

According to sectoral research, bottled water sector captured about 10% growth in 2006, reaching a total volume of 7.8 billion liters. As the consumption rose with the positive economic environment, the investments made in the sector also took place among the factors that brought the growth in the market.

Based on ACNielsen data, Pinar Su maintained its market share in 2006 in PET packaging in the retail channel which was 11%.

It is forecasted that the water sector in our country will preserve its growth trend. In this conjuncture, Pinar Su targets to become a global brand by tapping new and productive markets based on its strategy of increasing its exports in addition to its existing markets.

Having attained 385,304 tons in sales and posted TRY 48,581,001 in net sales in 2006, Pinar Su exports to Germany, UK, Iraq, USA, Cyprus, Kuwait, Bahrain, United Arab Emirates, Denmark, Saudi Arabia, Italy, Romania, Malta, and Azerbaijan were worth USD 3.0 million.

In order to secure sustained and further increased development of our company, a total investment of TRY 5,188,126 was made in 2006 for the expansion of production area in existing plants and for the replacement of our machinery and equipment.

In closing I would like to extend my thanks to all our employees, customers, dealers, shareholders and business partners who contributed to and supported our efforts to realize the achievements of 2006 for our company which espouses the key principles of customer and consumer satisfaction, and corporate governance. It is my heartfelt wish that 2007 will be a year of success for our country and our company.

Hasan DENİZKURDU

Chairperson of the Board

PINAR SU SANAYİ VE TİCARET A.Ş.**Agenda for the Ordinary General Meeting dated 17 May 2007**

Place of Meeting: Kemalpaşa Asfaltı No:1 Pınarbaşı/ İzmir

Time of Meeting: 10:30

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

PINAR SU SANAYİ VE TİCARET A.Ş.

2006 ANNUAL REPORT

a) Period Of The Report	: 01.01.2006 - 31.12.2006
Commercial Title Of The Company	: PINAR SU SANAYİ VE TİCARET A.Ş.
Issued Capital	: TRY 12,732,753.50
Registered Capital Ceiling	: TRY 50,000,000.00

Members of the Board of Directors :

Name & Surname	Position	Term of Office
Hasan DENİZKURDU	Chairperson	18.05.2006 (3 YEARS)
Taşkın TUĞLULAR	Vice Chairperson	18.05.2006 (3 YEARS)
Ahmet OLCAY SUNUCU	Member	18.05.2006 (3 YEARS)
Ata Murat KUDAT	Member	18.05.2006 (3 YEARS)
B. Safa OCAK	Member	18.05.2006 (3 YEARS)
Mehmet AKTAŞ	Member	18.05.2006 (3 YEARS)
Yılmaz GÖKOĞLU	Member	18.05.2006 (3 YEARS)

Scope of Authority:

The chairperson and the members of the Board of Directors possess the respective authorities stipulated by the relevant articles of the Turkish Commercial Code and by sections 12 and 13 of the company's articles of association.

Members of the Board of Auditors:

Name & Surname	Date of Appointment	Term of Office
Kamil DEVECİ	18.05.2006	1 Year
Recep ÇETİNSÖZ	18.05.2006	1 Year

Scope of Authority:

According to section 16 of the company's articles of association, the duties, authorities and responsibilities of statutory auditors are in conformity with the principles stipulated by the relevant articles of the Turkish Commercial Code.

b) Factors Affecting the Company's Performance:

As the natural water resources all around the world are polluted and depleted rapidly, Pınar makes use of the idle springs in our country and achieves successful business results by increasing penetration in the nearby locations at Pınar Madran, Pınar Yaşam Pınarım and Pınar Denge springs.

In this environment characterized by increasing competition and producer companies, Pınar Su maintained its innovative vision in the sector. The quality of Pınar Madran has been tested and approved by the Germany-based Fresenius Institute, an international independent and efficient institute auditing the conformity of spring waters to the applicable regulations and standards of Germany and the EU. Pınar Madran natural spring water became the first Turkish water brand that is recognized as "natural mineral water" by German authorities based on the results of the audit and analyses performed by the Fresenius Institute. In this way, it has been registered that Pınar Madran natural spring water conforms to the European Union's directive and norms concerning natural mineral water.

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

The finance sources of the establishment consist of the company's shareholders' equity, loans utilized and loans from vendors.

Due to the nature of its activities, the company is exposed to various financial risks including the impact of changes in exchange rates and interest rates in the lending and capital markets. The company's total risk management program is aimed at minimizing the adverse impacts upon the company's financial performance.

d) Changes in the Articles of Association During the Reporting Period:

No changes were made to the articles of association during the reporting period.

e) Issued Capital Markets Tools:

As at 31 December 2006, the company has 1,273,275,350 bearer shares each with a nominal value of YKr 1.

f) Investments:

2006 investments include the following:

TRY 88,361 in underground and overground installations, TRY 2,246,138 in buildings, TRY 1,532,225 in machinery and facilities, TRY 1,321,402 in fixtures adding up to TRY 5,188,126.

The company utilized an R&D incentive in the amount of TRY 63,901.

g) Production:

Production (Tons)	2006	2005	2004
PET BOTTLES	171,221	133,412	101,236
GLASS BOTTLES	457	331	375
19 L PC DEMIJOHNS	214,304	137,184	67,917
TOTAL	385,982	270,927	169,528

h) Sales:

SALES	TONS	TRY
PET BOTTLES	170,546	53,314,688
GLASS BOTTLES	451	396,319
19 L PC DEMIJOHNS	214,307	19,558,508
TOTAL	385,304	73,269,515

The company's 2006 exports were worth USD 2,946,272.

i) Financial Structure:

The company's financial statements for the year ended 31 December 2006 were drawn up, and incorporated in the annual report, in accordance with the Communiqué Serial: XI No: 25 on "Accounting Standards in Capital Markets" published by the Capital Markets Board of Turkey (CMB).

The key ratios in relation to the last two years' financial ratios are as follows:

		2006	2005
Total Borrowings/Total Assets	(%)	20.75	39.53
Total Borrowings/Shareholders' Equity	(%)	26.18	65.36
Current Assets/Current Liabilities		0.92	0.67
Equity Turnover Ratio		0.99	1.11
Financing Costs/Net Sales	(%)	(1.34)	(2.47)
Financing Costs/Shareholders' Equity	(%)	(1.34)	(2.73)

j) Senior Management:

Current senior management is constituted by the following individuals:

Board Member	: Ahmet Olcay SUNUCU
General Manager	: Ahmet ATAY

k) Personnel Matters:

The average number of personnel employed by the company in 2006 was 293, which was 281 in 2005.

Collective bargaining agreement is not practiced at the company; the employees are granted the rights and benefits commensurate with the laws and peer work places.

l) Dividend Distribution Proposal:

Dear Shareholders,

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

The computation of the net distributable profit for the 2006 period was based on the applicable provisions of the Turkish Commercial Code (TCC), Capital Market Legislation, and the Capital Markets Board of Turkey (CMB) regulations, Corporate Tax, Income Tax and other applicable legislations, as well as on the relevant sections of the articles of association, and the net distributable profit for the period was computed to be TRY 6,474,812 resulting from the consolidated net profit for the 2006 period in the amount of TRY 6,816,745, which was drawn up in accordance with International Financial Reporting Standards and was subjected to independent audit; less the impact in the total amount of TRY 34,552 reflecting from the participations whose legal dividend distribution amount remained below the amount in the consolidated financial statements despite having decided to distribute dividends at its general meeting; and less first legal reserves in the amount of TRY 307,381 set aside pursuant to Article 466/1 of the TCC. It has been decided to lay down at the Ordinary General Meeting for approval that, from the distributable profit computed as detailed above and taking into account the donations of TRY 124,553 made during the reporting period, TRY 1,319,873 corresponding to 20% of the distributable profit as per the CMB regulations be distributed to shareholders as first dividends; that from the balance, Board of Directors allocation and Founder's Bonus Share Allocation be set aside in amounts that will not exceed the respective ratios of 5% and 10% as stipulated in the articles of association, and an amount equal to that of the Board of Directors allocation be set aside for personnel dividends; and that, from the balance, second dividends in the amount of TRY 2,999,444 be distributed to shareholders, which amount, together with the first dividends, will correspond to 33.92% of the nominal issued capital (TRY 12,732,753.5) (first and second dividends totaling TRY 4,319,316), and that TRY 467,268 be set aside as second legal reserves, and the entirety of the remaining amount be set aside as extraordinary legal reserves.

In this context, we hereby submit for your approval our proposal to pay cash dividends of TRY 0.3392 gross and TRY 0.2883 net for each share traded at the stock exchange and having a nominal value of TRY 1.

PINAR SU SANAYİ VE TİCARET A.Ş.
BOARD OF DIRECTORS

10 Company History and Highlights

The pioneer of the bottled water sector, Pinar Su produced Turkey's first bottled natural spring water in one-way packaging in 1984. 1996 marked the commencement of the establishment of Pinar Madran facility, Turkey's most modern water establishment. With a French hardness of 1.65, Pinar Madran is one of the softest and easiest-to-drink waters in the world. Established on a covered area of 14 thousand sqm in a total area of 64 thousand sqm in Bozdoğan district, Aydın, Pinar Madran facility reached a total covered area of 17 thousand sqm with the additional investments made in 2005.

In the water literature, a good spring is one that is distant from settlement areas and that maintains a fixed flow and stable chemical properties despite precipitation or drought during a given year. Healthy natural spring water means the water with mineral content that does not exceed the limit values stipulated by the applicable regulation, is free from pathogenic microorganisms, and possesses suitable physical and chemical properties. In this sense, Pinar Madran spring represents one of Turkey's highest quality natural water springs, located at an altitude that is 1000 meters above the settlement areas, and holding chemical properties remaining unvarying throughout the year.

The facility takes on bottling of 0.33 l, 0.5 l, 1.5 l, 2.5 l, 5 l and 8 l PET bottled waters, 0.33 l, 0.75 l NRB glass bottled water, and 19 l Polycarbonate demijohns. In





order to respond to the increasing demand in the water sector, Pınar purchased two new natural water springs in 2003. Bottled at these two new springs, Pınar Yaşam Pınarım and Pınar Denge brands were presented to the liking of the consumers. Its spring located in Hendek, Sakarya, Pınar Yaşam Pınarım is a specialty natural spring water owing to its natural and balanced mineral content. The brand is penetrating rapidly in İstanbul and environs with its 19 liter bottles delivered to the consumers in hygienic plastic bags, along with 0.33, 0.5, 1.5 and 5 liter PET products. Bottled in a fully automated fashion, Pınar Yaşam Pınarım is so fresh and hygienic that mothers can give it directly and safely to their babies without boiling.

Pınar Denge's spring is a valuable one named Dikilitaş in Isparta's Eğirdir region of our country which is quite rich in terms of natural spring waters. Pınar Denge plant has an annual production capacity of 40 thousand tons. A specialty natural spring water with its inherent balanced mineral content, Pınar Denge is bottled employing cutting-edge technology under Pınar's quality assurance and marketed in 0.5, 1.5 and 5 liter PET packaging. Started at Pınar Su in 2002 in the Aegean and Mediterranean Regions with Pınar Madran, sales in demijohns have reached extensive dimensions predominantly in the Marmara Region, as well as across the country, with the investments in new facilities. Pınar Su successfully maintains its title as the leading brand among packaged natural spring waters exported from Turkey.

Its primary export destinations covering Germany, Turkish Republic of Northern Cyprus, UK, Azerbaijan, Denmark, USA, Bahrain, France, Northern Iraq, Malta, Qatar, Kuwait, Australia and UAE, the company sustains its leadership in the natural spring water market imported into Germany from Turkey.

Giving the foreground to customer satisfaction, along with product and production quality in its working strategies at all times, Pınar Su displayed its distinction once again in its innovative character and the mission of being the spearheading company in its sector, and fulfilled the consumers' expectations for health, reliability and taste. Pınar's marketing strategy in the water sector is focused on strengthening distribution and increasing availability. Always the leading brand in the total Turkish water market, Pınar Su continues to solidify its position with new investments.



12 Sectoral View and Trends

In terms of the problems the mankind is faced with, one of the vital challenges in the 21st century will arise as the adequate and safe fulfillment of the increasing water need of the world population. Summer droughts and the decrease in precipitation stemming from global warming will adversely affect water resources, leading to reduction of sources and constituting a risk factor for the national and global population.

Worldwide, 1.1 million people are deprived of access to safe water and the water problem varies depending on the geography. Preservation of water resources become a vital issue particularly in the regions with scarce water due to the fact that areas from which safe potable water is obtained get easily affected by external factors such as pollution.

Substantial portions of the populations are faced with health problems in developing countries. As the natural water resources around the world are polluted and depleted rapidly, Pinar made use of the idle springs in our country and brought Turkey's first bottled natural spring water to the consumers. Today, Pinar responds to the healthy water needs of Turkey, as well as of its export destinations, under the Pinar Madran, Pinar Yaşam Pınarım, Pinar Denge and Pinar Rain brands.

Pinar Su set its vision targeting improvement and innovations as early as in 1984. Capitalizing on the advantage of its ability to discern the future of the water sector, the company made itself a firm place in the lives of everyone living in Turkey.

As the potential offered by the sector was realized by a growing number of companies, new entries into the sector occurred, which resulted in a serious brand inflation. Standing at 14 or 15 at the beginning, the number of producers is over 200 today. Despite this significant increase and investments, Pinar Su remained unwavering from its vision and positioning.

In 2006, bottled water sector captured about 10% growth, reaching a total volume of 7.8 billion liters. As the consumption rose with the positive economic environment, the investments made in the sector also took place among the factors that brought the growth in the market.

Based on ACNielsen data, Pinar Su maintained its market share in 2006 in PET packaging in the retail channel which was 11%.

Total Quality and Research & Development

Executed in the second most comprehensive scope in Turkey following the USA and analyzing the competition in Turkey, the Turkish Customer Satisfaction Index (TCSI) survey's results for the second quarter of 2006 have been announced by KalDer. Based on the index results, Pinar, Opet and Efes ranked at the top of their relative sectors in terms of customer satisfaction.

According to TCSI results for the second quarter of 2006, the highest level of satisfaction was achieved in the soft drinks sector. In this sector covering water, fruit juices and carbonated soft drinks, Pinar, with a TCSI score of 80, has been the company to offer highest satisfaction to the consumers from amongst the 13 multi-brand companies measured.



With its high quality and prudent production, Pinar Madran is the only Turkish beverage company that was entitled to receive qualification certification from the NSF (National Sanitation Foundation), an expert in the world public health and environmental safety. In addition to NSF certification, the quality of Pinar Madran has been tested and approved also by the Germany-based Fresenius Institute, an international independent and efficient institute auditing the conformity of spring waters to the applicable regulations and standards of Germany and the EU. In 2005, Pinar Madran natural spring water also became the first Turkish water brand that is recognized as “natural mineral water” by German authorities based on the results of the audit and analyses performed by the Fresenius Institute. This registers the fact that Pinar Madran natural spring water conforms to the European Union’s directive and norms concerning natural mineral water.

In 2006, a customer services team has been set up under Pinar Su Quality Assurance Department. The aim of the team is to achieve enhanced product and service quality, decreased customer complaints and ensuring customer satisfaction, creating customer loyalty, with the end result of capturing expanded customer base and sales volume.

Pursuant to its total quality understanding, Pinar Su regards it an integral part of total quality to protect, and cause an enhanced awareness among, consumers and producers, to quest for superior quality new products, to espouse superior quality level, to adopt participative management, to carefully assess its human resources, to care for the environment and the nature, and to abide by the laws and ethical rules. The company presents its quality organization not only in services and products, but also as a value covering all areas with all the dimensions from production to service.



Holding TS EN ISO 9001-2000 Quality Management System and TSE ISO 14001 Environmental Management System certifications, Pinar Su also earned TS 13001 HACCP Food Safety Management System Certification in 2005 from the Turkish Standards Institution for Pinar Su-Bozdoğan/Aydın facility.

New Products

In 2006, a customer services team has been set up under Pinar Su Quality Assurance Department, for the purpose of achieving enhanced product and service quality, decreased customer complaints and ensuring customer satisfaction, creating customer loyalty, with the end result of capturing expanded customer base and sales volume.

Aiming to increase penetration in locations close to the market and to secure successful business results, 19 liter bottling investment was made by late 2006 at the Pinar Denge spring in Eğirdir, Isparta.

Exports

The potential of the water sector in Turkey indicates that the growth trend will be ongoing. Within the process, Pinar Su will successfully further its understanding and goal of increasing its share in exports, tapping new and lucrative markets, and growing in the existing ones in keeping with its target of becoming a global brand.

In 2006, Pinar Su exported to Germany, Belgium, UK, Iraq, USA, Cyprus, Kuwait, Bahrain, United Arab Emirates, Yemen, Denmark, Benin, Kosovo, Malta, and Azerbaijan, attaining a total worth of USD 3.0 million in exports.

Pinar Mutfağı (Pinar's Kitchen)

Pinar Su production can be viewed live over the Internet at www.pinarmutfagi.com. This initiative marks the first-time ever in Turkey where consumers are able to see the production of the water they drink, at any time they wish, a feature possessed exclusively by Pinar.

Live Cameras: Feeding live streaming 24 hours a day, the camera system enables real-time viewing of the production activities at the water bottling facilities.

Product Info: "Product Info" section at the website gives the consumers access to detailed information about Pinar Su products. By entering the barcode and production lot numbers of any Pinar Su branded product in the relevant fields, the production facility of the product can be learned instantly, as well as the certifications of the product and control methods employed thereon.

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

Human Resources

In line with the participative management approach that has been in place at Pinar Su also in the past years, an action team was set up in 2006 with the involvement of our employees. The team will devise actions plans based on the outcomes of Employee Opinion Survey. Aiming to achieve constant improvement, the team continues to work along the lines of its targets.



The comprehensive and continuously evolving Human Resources Management program focuses on communication, in order to engage the employees in the strategic planning process, which is also supported with the Operational Cost Improvement and Performance Appraisal Systems. In keeping with this, "employee of the month" system started to be practiced in 2006, under which employees contributing to the company have been evaluated and rewarded.

With a view to enhance in-house communication, the HR department prepared an e-magazine titled "Su'da Yolculuk" (Voyage at Su), which was shared with our employees during the 12-month period.

Water and Beverages Group achieved and further exceeded its training targets set for 2006.

Social and Cultural Activities

Various social events were organized by the Water and Beverages Group in 2006 in order to enhance the sense of belonging and team spirit among our employees.

Awards and Certificates

Based on the results for the second quarter of 2006 of the Turkish Customer Satisfaction Index survey announced by KalDer (Turkish Society for Quality), Pinar was the company to offer highest satisfaction to its consumers from amongst the 13 multi-brand companies measured in the soft drinks sector covering water, fruit juices and carbonated soft drinks.



16 Corporate Governance Principles Compliance Report

1) Statement of Compliance with Corporate Governance Principles:

In the fiscal year ended on 31 December 2006, PINAR SU SANAYI VE TICARET A.Ş. (the company) complied with and implemented the Corporate Governance Principles published by the Capital Markets Board of Turkey (CMB), save for the matters listed hereinbelow.

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

Nature and grounds relating to matters that are not complied with in part or in whole are detailed in the relevant sections of the report. During the reporting period, training activities on corporate governance were participated in, the company's articles of association, procedures and practices were reviewed with respect to their compliance with the principles, and improvement areas were identified.

SECTION I – SHAREHOLDERS

2) Shareholder Relations Unit:

Although there is not an investor relations unit under the company, the said function is carried out by the Financial Affairs Department. During the fulfillment of this function, necessary support is received from the relevant central departments of the Yaşar Group, as do all other Yaşar Group companies. The company's Financial Affairs Department performs the following duties within the scope of investor relations (Contact Person: Assistant Accounting Manager - 0232 472 21 72)

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

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

3) Shareholders' Exercise of their Right to Obtain Information:

Indiscrimination is the basic principle in the shareholders' exercise of their right to obtain and examine information. Numeric information regarding the applications for obtaining information in the fiscal year 2006 was provided in article 2 above. These information requests are usually related to such matters as the date of general meeting, capital increases and bonus shares, and profit distribution. All information requests, apart from those falling under the scope of trade secrets or company interest that is worth protecting, are responded to without any discrimination among the shareholders and in parallel with the disclosures previously made to the public within the scope of material event disclosures. Developments that have an impact on the exercise of shareholding rights as required by the Turkish Commercial Code (TCC) and CMB arrangements are disclosed via materi-

al event disclosures, newspaper announcements and by post. The company's articles of association contain no provisions stipulating the request for appointment of a special auditor as an individual right. During the reporting period, no such request was received from the shareholders.

4) Information on General Meetings:

In 2006, 2005 ordinary general meeting was convened on 18 May 2006. According to section 20 "Meeting Quorum" of the company's articles of association, quorum at ordinary and extraordinary general meetings is subject to the relevant provisions of the Turkish Commercial Code. In 2005 ordinary general meeting, meeting and decision quora were 67.56% of the company's share capital.

Stakeholders and media did not attend the meeting. Invitation to the general meeting was made by the board of directors. In addition to the shareholders, authorized representatives of the independent audit firm are also invited in writing. The announcement for the company's general meeting invitation was promulgated in the Turkish Trade Registry Gazette (TTRG) at least two weeks in advance of the meeting date, excluding the dates of promulgation and meeting, in accordance with section 23 "Announcement" of the articles of association and under the provisions of the TCC and CMB arrangements. The invitation was also published in a local newspaper, and the shareholders, whose addresses were registered, were also informed on the meeting date, place and agenda by post. Prior to the general meeting, the place, date and agenda of the meeting, dividend distribution proposal of the board of directors to be submitted to the general assembly, as well as the independent audit firm chosen are publicly announced by way of material event disclosures. The company's annual report is made available for the examination of shareholders at the company's head office prior to the general meeting. At the general meeting, the topics on the agenda are communicated impartially and in detail, in a clear and understandable method, and the shareholders are provided with the chance to voice their opinions and direct their questions under equal conditions, thus creating a healthy discussion climate. The articles of association contain no provisions with regard to the adoption of material decisions at the general meeting, such as demerger, acquisition, disposal, leasing etc. of substantial assets. In order to assure the company activities to proceed in their normal course, such decisions are adopted by the board of directors, with keen consideration of the CMB arrangements, TCC and tax legislation. Upon adoption, such resolutions are publicly disclosed as material event disclosures. In addition to the effective use of the above mentioned communication channels to facilitate attendance of shareholders to the general meetings, various means are provided for the transportation of shareholders to the venue of the general meeting, when necessary. The minutes of the general meetings are made available to shareholders at all times at the company's head office.

5) Voting Rights and Minority Rights:

There are no privileges attached to voting rights. In relation to exercise of voting rights, the company's articles of association contain no provisions preventing a non-shareholder from voting in proxy in the capacity of a representative. The provisions contained in applicable legislation and the articles of association being reserved, votes are cast by raise of hands at general meetings. However, upon demand by shareholders, the voting fashion shall be determined by the general assembly. There are no cross-shareholding interests between the company and another company. There are no independent members on the board of directors (Please refer to article 18 on detailed information about the members of the Board of Directors.)

Minority rights are not represented in the board of directors. At our company, minority rights and exercise thereof are implemented in parallel with Article 11 of the Capital Mar-

ket Law that governs all publicly-floated companies. Currently, the company's articles of association do not contain a provision allowing cumulative voting method.

6) Dividend Distribution Policy and Timing:

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

The company authorized, via the articles of association, the Board of Directors in relation to interim dividends. The Board of Directors evaluates the exercise of the power to grant interim dividends within the framework of applicable legislation and economic environment. Dividend distribution methods and processes are stipulated by the provisions contained in the TCC, CMB arrangements and the company's articles of association. Upon the Board of Directors' relevant decision made in parallel with the set dividend distribution policy in each fiscal year, the public is informed by way of a material event disclosure. The Board of Directors decision relating to the amount of dividends is laid down for approval at the general meeting and the amount of dividends approved as such is distributed to the shareholders within the prescribed period of time as determined at the general meeting within the framework of the CMB Communiqué Serial: IV, No: 27. No dividend distribution was made in 2006 due to the fact that the company did not post any attributable profit in the relevant fiscal year.

7) Transfer of Shares:

The company's articles of association contain no provisions restricting the transfer of shares.

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

8) Company Disclosure Policy:

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

9) Disclosure of Material Events:

The company made 15 material event disclosures in 2006 fiscal year. No additional information was required for these disclosures either by the CMB or the ISE. The company was not in breach of any matter with regard to public disclosure. The company is not quoted on any overseas stock exchange.

10) Company Internet Site and its Content:

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

11) Disclosure of Non-corporate Ultimate Shareholder(s) Who Have a Controlling Interest:

The company's shareholding structure as at 31 December 2006 is as follows:

Shareholders	Share (%)	TRY
Yaşar Holding A.Ş.	57.93	7,376,045.42
Pınar Süt A.Ş.	8.81	1,122,150.07
Other	33.26	4,234,558.01
Total	100.00	12,732,753.50

As seen in the table above, shares corresponding to 66.74% of the company's share capital are controlled by Yaşar Group companies owned by the Yaşar family.

12) Public Disclosure of Those Who May Have Access to Insider Information:

Although individuals who may have access to insider information have been previously notified to the CMB for various reasons, they have not been publicly disclosed. These individuals are listed below:

All Board of Directors members and statutory auditors
 Ahmet Atay (General Manager)
 Nevzat Gazioğlu (Assistant Accounting Manager)
 Ender Padır (Budget Planning and Accounting Manager)
 Adnan Akan (Associate, Chief Auditor – Independent Audit Firm)
 Relevant employees of the independent audit firm

SECTION III – STAKEHOLDERS**13) Keeping Stakeholders Informed:**

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

14) Stakeholder Participation in Management:

Stakeholder participation in management occurs in the form of consideration of their proposals and suggestions that will enable improvement in any matter relating to the company's activities, which are communicated at general meetings or via various communications tools, by the relevant units (further details are provided in article 16).

15) Human Resources Policy:

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

Our basic policies are as follows:

- a) The staff cadres at the company are determined based on the business economics criteria and all employees acknowledge that dignified work is possible only through productive work.
- b) In-house and external training programs are implemented within the scope of the plan determined at each level so as to develop the personnel.
- c) Equality of opportunity is observed in promotions and appointments in the organization, and in principle, appointments are made from within.
- d) Development plans are implemented so as to offer promotion opportunities at the broadest extent to the employees possessing the potential through the career planning system.
- e) The employees' performance appraisals are based on achievement of targets, as well as on competencies.
- f) Job descriptions and performance standards are documented for every position from the top to the lowest level and this system is made the basis of employee assessment.
- g) Employee Opinion Survey is administered every year periodically, seeking the employees' ideas on working conditions, management, social activities, remuneration, training, performance appraisal, career planning, participative management and company satisfaction. Improvement efforts are taken on in line with the feedbacks received.
- h) Our company gives utmost importance to providing a safe working environment and conditions. All legally required actions are taken within the framework of Occupational Health and Safety Regulation to prevent occupational risks, to maintain safety and health, and to eliminate the risk and accident factors. Improvement works are carried on constantly through regular meetings.
- i) Our management philosophy is "to sustain our existence as a company that acts in compliance with laws and ethical rules, and that adopts total quality philosophy and participative management approach."
- j) It is the basic principle at the company to treat all employees equally without any discrimination on the basis of language, race, color, sex, political affiliation, philosophical belief, religion, sect and similar reasons. Necessary actions are taken to protect the said constitutional right of the employees.

There are no employee representatives at Pinar Su; however, work has been planned for the election process in 2006 whereby the representative will be identified. All employees are informed on various topics including company procedures, organizational changes, modifications in benefits and rights, and practices and decisions concerning the employees through the Regulation and announcements posted on the intranet and bulletin boards, which are prepared within the framework of the Announcement Regulation put into writing. To date, no complaints about discrimination were received by the company management and HR department from the employees.

16) Relations with Customers and Suppliers:

In order to secure customer satisfaction for the services offered by our company, job descriptions for all employees were drawn up, related instructions were formulated and informed to the employees. Our customers can communicate their demands, and complaints, if applicable, regarding the company's services to any level in the company, and may also convey them via the Internet.

With a view to ensure customer satisfaction, Marketing, Total Quality and Production departments evaluate the feedbacks received through Pinar online customer hotline, dealers, consumer satisfaction surveys and other channels, and improvement efforts in all aspects are carried out constantly. Every year, dealer satisfaction survey is administered with our

dealers, who are also our customers, and their problems, if any, are taken into due consideration by the Sales, Marketing and Total Quality departments upon which improvements are effected.

Our suppliers are assessed within the framework of ISO 9000 Quality System Certification, and are scored on monthly basis in terms of pricing, quality and deliveries. Additionally, company visits are paid, which serve to the purpose of information sharing, and efforts are undertaken to enhance our quality and costs.

All purchasing transactions at the company are carried out upon implementation of relevant purchasing procedures. The criteria applied in the selection of the suppliers from which the products and services purchased by the company shall be procured are cost-effectiveness, appropriate quality, adequate capacity and after-sales service.

17) Social Responsibility:

The company holds ISO 14000 Environmental Management System certification, under which work is carried out to monitor the environmental impact of our wastes and their disposal without harming the environment. In addition, parameters relating to noise, gas, etc. are measured at certain intervals. Packaging waste such as PET, glass and cardboards are collected pursuant to the applicable regulation of the Ministry of Environment.

Our company does not hold an Environmental Impact Assessment report since it is not an unhygienic establishment.

SECTION IV – THE BOARD OF DIRECTORS

18) Structure and Formation of the Board of Directors and Independent Board Members:

As set forth in sections 9 and 10 of the company's articles of association, the company's business affairs and management are carried out by a board of directors that will consist of 3 to 7 members who will be elected by the general assembly of shareholders from amongst the shareholders under the provisions of the Turkish Commercial Code. Board members are elected every three years. Any member whose term of office has expired may be re-elected. If so deemed necessary by the general assembly, the same may change the Board of Directors at any time. The Board of Directors exercises its authorities, fulfills its responsibilities and represents the company in line with the powers granted thereto by the shareholders at the general meeting and within the scope of applicable legislation, the articles of association, internal regulations and policies.

The Board members are listed below.

Hasan Denizkurdu	Chairperson of the Board
Taşkın Tuğlular	Vice Chairperson of the Board
Ahmet Olcay Sunucu	Board Member (Executive)
Ata Murat Kudat	Board Member
B. Safa Ocak	Board Member
Mehmet Aktaş	Board Member
Yılmaz Gökoğlu	Board Member

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

19) Qualifications of Board Members:

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

20) Mission, Vision and Strategic Goals of the Company:

The company's mission is "to be an organization that achieves customer and consumer satisfaction through consumer-oriented production philosophy, that gives the forefront to its human resources through its participative management approach, and that spearheads its sector with its innovative structure". Activities and results in relation to the key strategy enabling fulfillment of this mission are regularly monitored and reviewed by the Board of Directors.

21) Risk Management and Internal Control Mechanism:

In essence, the Board of Directors oversees the risk management-related activities via the Audit Committee. In fulfilling this function, the Audit Committee utilizes the findings of the financial affairs and assistant accounting manager, and of establishments carrying out certification within the scope of independent audit and certified counselling.

22) Authority and Responsibilities of the Board Members and Executives:

Although the company's articles of association contain no provisions in relation to the authorities and responsibilities of the Board members and executives, the Board members and executives, in principle, carry out the company's activities on the principles of egalitarianism, transparency, accountability and responsibility and in accord with the TCC.

23) Operating Principles of the Board of Directors:

The operating principles of the board of directors are stipulated as follows in section 11 of the company's articles of association:

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

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

The agenda of the Board meetings are determined by the Chairperson, upon conferring with other Board members and the general manager. The Board of Directors met 28 times during the reporting period. Invitation to the meeting is made by the Chairperson of the Board, or upon written request by any Board member. The meeting agendas are sent to the members by registered mail at least two weeks in advance of the meeting date. Usually all members participate in the meetings. In 2006 fiscal year, there were no topics upon which agreement was not secured. In meetings related to matters contained in article IV.2.17.4 of the Corporate Governance Principles, the Board secured personal attendance. Questions posed during the course of the meetings are not recorded. No weighted voting and/or vetoing rights are granted to the Board members.

24) Prohibition on Doing Business or Competing with the Company:

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

25) Code of Ethics:

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

26) Number, Structures and Independence of the Committees under the Board of Directors:

Two committees have been set up at the company: the Audit Committee and the Corporate Governance Committee.

In 2006 fiscal year, the Audit Committee met four times and obtained quarterly information on the activities and internal control systems from the company executives and on the audit findings from the independent auditors. The Committee oversees the operation and effectiveness of the company's accounting system, public disclosure of financial data, independent audit and internal control system. It also supervises the selection of the independent audit firm, initiation of the independent audit process, and the work carried out by the independent audit firm. The committee reports to the Board of Directors as to the accuracy and truthfulness of the annual and interim financial statements that will be publicly disclosed. Members of the Audit Committee are Messrs. Ata Murat Kudat and B. Safa Ocak. Because there are no independent members on the company's Board of Directors, the Audit Committee consists of non-executive members. No member of the Board of Directors serves on more than one committee. The company's Corporate Governance Committee was set up with the Board of Directors resolution dated 13 March 2006. Mr. Taşkın Tuğlular and Mr. Mehmet Aktaş have been elected to serve as the head and member on the Corporate Governance Committee, respectively. The Corporate Governance Committee establishes whether the Corporate Governance Principles are implemented at the company, and determines the adversities stemming from failure to fully comply with these principles, and proposes improvement actions to the Board of Directors. The committee coordinates the investor relations efforts, works to create a transparent system, and to devise the relevant policies and strategies regarding the identification of appropriate nominees for the Board of Directors, as well as their assessment, training and rewarding. The Corporate Governance Committee also formulates recommendations regarding the number of Board members and executives.

27) Remuneration of the Board of Directors:

As stated in section 14 of the company's articles of association, the members of the company's Board of Directors receive the attendance fee set by the General Assembly. The gross monthly attendance fee determined for 2006 is TRY 600. There is no other performance-based rewarding system for the Board members at the company.

The company does not, directly or indirectly, lend money or extend loans to any Board member or executive.

24 Statutory Auditors' Report

TO THE GENERAL ASSEMBLY OF PINAR SU SANAYİ VE TİCARET A.Ş.

Commercial Title of the Company

: PINAR SU SANAYI VE TICARET A.Ş.

Head Office

: Şehit Fethi Bey Cad. No: 120 İZMİR

Capital

: TRY 12,732,753.50

Field of Activity:

Spring Water Bottling and Bottle Production

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

Kamil Deveci (18.05.2006 - one year) has no shareholding interest

Recep Çetinsöz (18.05.2006 - one year) has no shareholding interest

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

Board of Directors Meetings 28

Board of Auditors Meetings 12

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

At the end of each month, cash, cheques, bonds and receipts were counted, and the records and documents were screened on the basis of sampling method and no irregularities were established.

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

The pay desk was checked and counted 12 times and no irregularities were established.

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

Examination was performed at the end of each month, comments were provided for matters of uncertainty, and no irregularities were established.

Complaints and irregularities received and the actions taken in relation thereto: None were received

We have examined the accounts and transactions of Pınar Su Sanayi ve Ticaret Anonim Şirketi for the period 01 January 2006 – 31 December 2006 with respect to their compliance with the Turkish Commercial Code, the company's articles of association, and other applicable legislation, as well as generally accepted accounting principles and standards. In our opinion, the attached balance sheet drawn up on 31 December 2006, the contents of which we acknowledge, fairly and accurately presents the company's financial status on the date, and the income statement for the period 01 January 2006 – 31 December 2006 fairly and accurately presents the operating results for the period.

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

Statutory Auditor
Kamil DEVECİ

Statutory Auditor
Recep ÇETİNSÖZ

PINAR SU SANAYİ VE TİCARET 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 Su Sanayi ve Ticaret A.Ş.

1. We have audited the accompanying financial statements of Pınar Su Sanayi ve Ticaret 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 Su Sanayi ve Ticaret 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 Turkish Capital Market Board (Note 2).

Emphasis of Matter

5. 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, Birmaş Tüketim Malları Ticaret A.Ş. ("Birmaş"), 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
Istanbul, 12 April 2007

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş. FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

**PINAR SU SANAYİ VE TİCARET 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		9.834.891	10.469.054
Cash and cash equivalents	4	2.345.445	653.218
Marketable securities- net	5	-	-
Trade receivables- net	7	69.664	1.314.801
Leasing receivables- net	8	-	-
Due from related parties- net	9	1.825.274	4.188.692
Other receivables- net	10	2.856.265	2.328.395
Biological assets- net	11	-	-
Inventories- net	12	2.722.222	1.967.227
Construction contract receivables	13	-	-
Deferred income tax assets	14	-	-
Other current assets	15	16.021	16.721
Non-current assets		51.793.435	55.034.165
Trade receivables- net	7	-	-
Leasing receivables- net	8	-	-
Due from related parties- net	9	-	7.389.202
Other receivables- net	10	-	-
Financial assets- net	16	9.427.015	7.735.147
Positive/ negative goodwill- net	17	-	-
Investment property- net	18	-	-
Property, plant and equipment- net	19	42.225.183	39.677.771
Intangible assets- net	20	84.032	166.828
Deferred income tax assets	14	-	-
Other non-current assets	15	57.205	65.217
TOTAL ASSETS		61.628.326	65.503.219

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 SU SANAYİ VE TİCARET 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		10.672.647	15.631.837
Financial liabilities- net	6	-	2.000
Short-term portion of long-term financial liabilities- net	6	-	2.327.662
Leasing obligations- net	8	-	-
Other financial liabilities- net	10	-	551.868
Trade payables- net	7	5.083.732	4.793.768
Due to related parties- net	9	2.810.847	5.903.570
Advances received	21	8.324	7.035
Billing for construction contracts in progress- net	13	-	-
Provisions	23	2.608.684	1.855.968
Deferred income tax liabilities	14	-	-
Other current liabilities- net	10	161.060	189.966
Non-current Liabilities		2.113.635	10.259.824
Financial liabilities- net	6	-	7.621.657
Leasing obligations- net	8	-	-
Other financial liabilities- net	10	-	-
Trade payables- net	7	-	-
Due to related parties- net	9	-	-
Advances received	21	-	-
Provisions	23	211.781	166.444
Deferred income tax liabilities	14	1.901.854	2.471.723
Other non-current liabilities- net	10	-	-
MINORITY INTEREST	24	-	-
SHAREHOLDERS' EQUITY		48.842.044	39.611.558
Share capital	25	12.732.754	12.732.754
Treasury shares	25	-	-
Capital reserves	26	28.617.253	26.848.713
Share premiums		-	-
Profit from share cancellations		-	-
Revaluation reserve	19	12.384.885	12.067.086
Available-for-sale investments fair value reserve	16	4.518.853	3.068.112
Inflation adjustment to shareholders' equity	26	11.713.515	11.713.515
Profit reserves	27	-	-
Legal reserves		-	-
Statutory reserves		-	-
Extraordinary reserves		-	-
Special reserves		-	-
Gain on investment and property sales, to be added to the capital		-	-
Currency translation reserve		-	-
Net profit for the year		6.816.745	3.803.628
Retained earnings/ (accumulated losses)	28	675.292	(3.773.537)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		61.628.326	65.503.219

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 SU SANAYİ VE TİCARET 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	January- 1 31 December 2006	1 January- 31 December 2005
OPERATING REVENUE			
Net sales	36	48.581.001	43.823.680
Cost of sales	36	(32.900.583)	(27.126.604)
Service income- net	36	-	-
Other income	36	-	-
GROSS PROFIT		15.680.418	16.697.076
Operating expenses	37	(7.575.430)	(11.595.792)
NET OPERATING PROFIT		8.104.988	5.101.284
Other income	38	3.443.433	843.855
Other expenses	38	(1.012.248)	(914.367)
Financial expenses	39	(2.833.770)	(1.725.522)
OPERATING PROFIT		7.702.403	3.305.250
Gain/ (loss) on net monetary position	40	-	-
PROFIT / (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	24	-	-
PROFIT BEFORE TAXATION ON INCOME		7.702.403	3.305.250
Taxation on income	41	(885.658)	498.378
NET PROFIT FOR THE YEAR		6.816.745	3.803.628
EARNINGS PER SHARE (YTL)	42	0,5354	0,2987

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

**PINAR SU SANAYİ VE TİCARET 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	Available-for-sale investments to fair value	Inflation adjustment to shareholders' equity	Net profit for the year	(Accumulated losses)/ retained earnings	Total shareholders' equity
1 January 2006	12.732.754	12.067.086	3.068.112	11.713.515	3.803.628	(3.773.537)	39.611.558
Transfer of prior year net income to the accumulated losses	-	-	-	-	(3.803.628)	3.803.628	-
Effect of tax rate and regulation changes on revaluation reserve (Note 19)	-	965.196	-	-	-	-	965.196
Deferred income tax on revaluation of land (Note 19)	-	(195.756)	-	-	-	-	(195.756)
Deferred income tax on revaluation reserve- net (Note 14)	-	193.560	-	-	-	-	193.560
Fair value gain on available-for-sale investments (Note 16)	-	-	1.688.575	-	-	-	1.688.575
Deferred income tax on fair value reserve of available-for-sale investments (Notes 14, 16)	-	-	(237.834)	-	-	-	(237.834)
Net profit for the year	-	-	-	-	6.816.745	-	6.816.745
Depreciation transfer (Note 19)	-	(645.201)	-	-	-	645.201	-
31 December 2006	12.732.754	12.384.885	4.518.853	11.713.515	6.816.745	675.292	48.842.044

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

**PINAR SU SANAYİ VE TİCARET 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	Revaluation reserve	Available-for-sale investments to fair value	Inflation adjustment to shareholders' equity	Net (loss)/profit for the year	(Accumulated losses)/retained earnings	Total shareholders' equity
1 January 2005	12.732.754	11.988.458	3.767.658	11.713.515	(281.532)	(4.516.013)	35.404.840
Transfer of prior year net loss to the accumulated losses	-	-	-	-	281.532	(281.532)	-
Disposals from revaluation reserve (Note 19)	-	(69.535)	-	-	-	69.535	-
Increase in revaluation reserve of machinery and equipment (Note 19)	-	1.136.334	-	-	-	-	1.136.334
Deferred income tax on revaluation reserve- net (Note 14)	-	(33.698)	-	-	-	-	(33.698)
Fair value losses on available-for-sale investments (Note 16)	-	-	(699.546)	-	-	-	(699.546)
Net profit for the year	-	-	-	-	3.803.628	-	3.803.628
Depreciation transfers (Note 19)	-	(954.473)	-	-	-	954.473	-
31 December 2005	12.732.754	12.067.086	3.068.112	11.713.515	3.803.628	(3.773.537)	39.611.558

The accompanying notes form an integral part of these financial statements

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED AT 31 DECEMBER 2006 AND 2005

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

	Notes	2006	2005
Operating activities:			
Profit before taxation on income		7.702.403	3.305.250
Adjustments to reconcile net cash generated from operating activities to profit before taxation on income:			
Depreciation and amortization	19-20	3.126.294	3.379.602
Gain on sales of property, plant and equipment	38	(229.630)	(73.951)
Interest income	38	(154.817)	(395)
Interest expense	39	169.653	462.621
Provision for employment termination benefits	23	53.511	59.347
Impairment on property, plant and equipment-net	38	-	171.036
Share of results of associates	38	(323.900)	-
Impairment on available-for-sale investments	16	776.891	199.871
Changes in assets and liabilities:			
Decrease/ (increase) in trade receivables	7	1.245.137	(1.073.215)
Increase in inventory	12	(754.995)	(63.927)
Decrease/ (increase) in due from related parties	9	118.552	(576.933)
Increase in other receivables	10	(527.870)	(2.017.896)
Decrease/ (increase) in other current assets	15	700	(16.721)
Decrease/ (increase) in other non- current assets	15	8.012	(9.922)
Increase in trade payables	7	289.964	799.656
Increase/ (decrease) in due to related parties	9	17.700	(72.808)
Employment termination benefits paid	23	(8.174)	(15.211)
Decrease in other payables	10-21-23	(488.673)	(658.729)
Net cash generated from operating activities		11.020.758	3.797.675
Investing activities:			
Interest received		171.875	395
Interest paid		(186.711)	(462.621)
Purchase of property, plant and equipment and intangible assets	19-20	(5.809.895)	(2.444.111)
Capital increase of available-for-sale investments	16	(399.741)	(199.871)
Decrease in non-trade due from related party	9	9.634.068	160.869
Payment of capital commitment to investment in associate	16	(125.000)	-
Proceeds from sales of property, plant and equipment	19-20	448.615	566.550
Net cash generated from/ (used in) investing activities		3.733.211	(2.378.789)
Financing activities:			
Redemption of bank borrowings	6	(9.951.319)	(1.280.316)
(Decrease)/ increase in non-trade due to related party	9	(3.110.423)	263.063
Redemption of leasing obligations	8	-	(36.590)
Net cash used in financing activities		(13.061.742)	(1.053.843)
Net increase in cash and cash equivalent		1.692.227	365.043
Cash and cash equivalents at the beginning of the year	4	653.218	288.175
Cash and cash equivalents at 31 December	4	2.345.445	653.218

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pinar Su Sanayi ve Ticaret A.Ş. ("the Company") is engaged in the production of bottled water under the brand names of "Pinar Madran", "Pinar Denge" ve "Pinar Yaşam Pınarım". The Company's production facilities are located at Aydın, Isparta and Sakarya whereas the Company's headquarter is located at İzmir.

The Company is registered in Turkey and the address of the registered headquarters is as follows:

Şehit Fethibey Caddesi No: 120 Alsancak /İzmir

The Company had merged with Marmara Su Meşrubat ve Gıda Sanayi A.Ş. ("Marmara Su"), the former affiliate, wherein 44% of its shares held by the Company, by acquiring all the assets and liabilities as of 31 December 2004 (Note 32).

Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), a group company, which was previously classified as an available-for-sale investment of the Company, was engaged in the domestic sales and distribution of 40% of the Company's products for the period ended 31 December 2005. On 26 December 2005, the Company participated in the foundation of Birmaş Tüketim Malları Ticaret A.Ş. ("Birmaş") with the shareholding rate of 25%, through which domestic sales and distribution of approximately 96% of the Company's sales is performed since 1 January 2006. Yaşar Dış Ticaret A.Ş., ("Yataş"), another Yaşar Group Company, is engaged in the export selling and distribution of the Company's products.

The Company is subject to the regulations of the Capital Markets Board ("CMB") and its shares are traded on the Istanbul Stock Exchange ("ISE"). As at 31 December 2005, the shares traded on the ISE constitute 32,46% (2005: 32,46%) of total share capital. The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 57,93% shares of the Company (2005: 0,80%) (Note 25).

The average number of people employed by the Company is 109 (2005: 129).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Accounting Standards

The Company prepares its financial statements for the year ended at 31 December 2006, 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 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.

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 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").

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 2 - BASIS OF PRESENTATION 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 31 December 2006 and 2005.

2.3 Basis of Consolidation

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 (%)	
	<u>2006</u>	<u>2005</u>
<u>Investment in associate</u>		
Birmaş	25,00	25,00

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. There are no adjustments in the financial statements of the preceding period.

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the financial statements are summarized 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 are recognised on an accrual basis, interest income are recognised on an accrual basis with effective yield basis calculation. Dividend income are recognised when the right to receive is possessed.

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 source of the business, less the cost 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).

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 capitalized and depreciated when they are fully commissioned and in a physical state to meet their designated production capacity. Residual values of property, plant and equipment are deemed as negligible.

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 depreciation rates for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	<u>Rate %</u>
Land improvements	4
Buildings	2-4
Machinery and equipment	5-10
Motor vehicles	20
Furniture and fixtures	10

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PINAR SU SANAYİ VE TİCARET A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii. Property, plant and equipment (Continued)

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.

Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate. On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the 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. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period 5 years from the date of acquisition. Where impairment indicator exists, the carrying amount of any intangible asset is assessed and an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount (Note 20).

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), property, plant and equipment stated at revalued amounts (Note 19). 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. Borrowings are classified as current when they are due to be settled within twelve months after the balance sheet date, even if the original term is longer than twelve months (Note 9.i.c). 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).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

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 investments

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.

viii. Legal merger

At 1 July 2005, the Company had merged with Marmara Su Meşrubat ve Gıda Sanayi A.Ş. ("Marmara Su") by acquiring all the assets and liabilities as of 31 December 2004. Legal mergers represent transactions between subsidiaries of Yaşar Group and are not dealt with in accordance with IFRS 3, as they are transactions between parties under common control. The Company's financial statements have been restated by reflecting the effects of the legal merger to the prior years (Note 32).

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Earnings 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.

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 (Note 31).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xiii. Accounting policies, errors and changes in accounting estimates

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

xiv. Leases

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.

The corresponding rental obligations are stated at purchase cost of the related property, plant and equipment.

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 (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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 is only engaged in the production of bottled water and pet bottle. The domestic sales and distribution of 96% of the products is performed by Birmaş, investment in associate of the Company (2005: domestic sales and distribution of 45% of the products was performed by YBP); and the substantial portion of export sales is performed by Yataş, another Yaşar Group company. Also, the foreign operations are not material in total operations of the Company. In this respect, considering the above facts, segment reporting has not been applied (Note 33).

xvii. Construction contracts

None (2005: None).

xviii. Discontinued operations

None (2005: None).

xix. Government grants and incentives

None (2005: None).

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xx. Investment property

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.

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 recognised for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognised 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.

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).

xxv. Goodwill and negative goodwill

None (2005: None).

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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxvii. Repurchase agreements

None (2005: None).

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.

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxx. Financial instruments and financial risk management (Continued)

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 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.

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.

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;

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxxi. Significant accounting estimates and decisions (Continued)

Income taxes

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	2006	2005
Cash on hand	3.206	25.570
Banks	2.342.239	627.648
- YTL denominated demand deposits	49.526	121.790
- Foreign currency denominated demand deposits (Note 29)	292.713	505.858
- YTL denominated time deposits	2.000.000	-
	2.345.445	653.218

As of 31 December 2006, the term of the time deposits is 4 days while the weighted average effective interest rate of the time deposits are 21% per annum (p.a.) (2005: None). As of 31 December 2006, the Company does not have blocked deposits (2005: YTL5.000).

NOT 5 - MARKETABLE SECURITIES

None (2005: None).

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NOTE 6 – FINANCIAL LIABILITIES

2006: None.

	2005		
	Effective weighted average interest rate %	Original Currency	YTL
Short term bank borrowings:			
Factoring obligations	-	2.000	2.000
Short-term portion of long-term bank borrowings:			
USD denominated bank borrowings	7,97	1.596.703	2.142.456
Euro denominated bank borrowings	7,19	116.665	185.206
Total short term bank borrowings			2.329.662
Long-term bank borrowings:			
USD denominated bank borrowings	7,97	5.287.112	7.094.247
Euro denominated bank borrowings	7,19	332.227	527.410
Total long term bank borrowings			7.621.657

Carrying amounts and fair values of the bank borrowings are as follows:

	Carrying Amounts		Fair Values	
	2006	2005	2006	2005
Bank borrowings	-	9.951.319	-	10.446.329

2006: None (2005: The fair values are based on cash flows discounted using the weighted average interest rates of 7,96% and 7,53% for USD and Euro denominated bank borrowings, respectively.)

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	2006	2005
a) Short-term trade receivables:		
Customer current accounts	134.538	715.945
Cheques and notes receivables	33.998	749.079
Deposits and guarantees given	17.482	15.382
Other	3.151	70.790
	189.169	1.551.196
Less: Provision for impairment of receivables	(119.260)	(224.048)
Unearned finance income	(245)	(12.347)
	69.664	1.314.801

At 31 December 2006, the effective weighted average interest rate is 19,01% p.a. (2005: 14,01% p.a.) and average collection terms of trade receivables are within 1 month (2005: 2 months).

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

	2006	2005
1 January	(224.048)	(119.260)
Collections (Note38)	104.788	-
Changed to statement of income (Note38)	-	(104.788)
31 December	(119.260)	(224.048)

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.

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	2006	2005
b) Short-term trade payables		
Supplier current accounts	5.146.165	4.829.947
	5.146.165	4.829.947
Less: Unincurred finance expense	(62.433)	(36.179)
	5.083.732	4.793.768

At 31 December 2006, the effective weighted average interest rate is 18,92% p.a. for short-term payables (2005: 14,26% p.a.) and short term trade payables mature within 3 months (2005: 3 months).

NOTE 8 - LEASING RECEIVABLES AND OBLIGATIONS

None (2005: None).

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:

i) Balances with related parties:

	2006	2005
a) Due from related parties- short-term		
Birmaş	646.588	93.765
Yataş	642.618	539.728
YBP	384.417	1.216.685
Yaşar Holding	-	2.244.866
Other	153.127	101.133
	1.826.750	4.196.177
Less: Unearned finance income	(1.476)	(7.485)
	1.825.274	4.188.692

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

i) Balances with related parties: (Continued):

a) Due from related parties - short-term (Continued)

At 31 December 2006, the effective weighted average interest rate is 19,10% p.a. (2005: 14,26% p.a.)

At 31 December 2005, short-term receivables from Yaşar Holding, amounting to YTL 2.244.866, equivalent of USD1.534.997 and EUR116.665, is related to borrowings obtained by the Company from various banks and transferred to Yaşar Holding with the same conditions.

b) Due from related parties – long-term:

	2006	2005
Yaşar Holding	-	7.389.202
	-	7.389.202

At 31 December 2005, the long-term receivable from Yaşar Holding, amounting to YTL 7.389.202, equivalent of USD5.113.870 and EUR332.227, is related to borrowings obtained by the Company from various banks, financial institutions and group companies and transferred to Yaşar Holding with the same conditions (Note 6).

c) Due to related parties – short-term:

Yaşar Holding	2.646.401	347.014
Yaşar Eğitim ve Kültür Vakfı	90.000	50.000
YBP	-	5.431.683
Other	78.554	75.395
	2.814.955	5.904.092
Less: Unincurred finance expense	(4.108)	(522)
	2.810.847	5.903.570

The effective weighted average interest rate applied to due to related parties is 18,96% p.a. as of 31 December 2006 (2005: 14,26% p.a.).

YTL 2.381.109 of due to related parties balance as at 31 December 2006, equivalent of EUR 1.286.043, consists of borrowings which have been obtained by Yaşar Holding from international capital markets by issuance of the loan participation notes transaction by securitizing its EUR denominated present and future remittances, and transferred to the Company with the same terms (2005: None). Such borrowings, with maturities in 2011 and effective interest rate of 9,50% p.a., was classified as short-term as they were redeemed on 31 January 2007.

YTL 2.869.378 of due to related parties balance as at 31 December 2005, equivalent of USD 2.138.454, consists of borrowings obtained by YBP and transferred to Company with the same terms. The maturity of such borrowings are within 1 year and the effective weighted average interest rate is 7,17% p.a. Moreover, due to related parties amounting to YTL 2.562.305, consists of non-trade payables to YBP. The maturities of these non-trade payables are within 1 year and the effective weighted average interest rate is 2,5% per month.

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

ii) Transactions with related parties:

	2006	2005
a) Product sales:		
Birleş - domestic sales	42.463.066	-
Yataş - export sales	4.198.225	3.145.115
YBP - domestic sales	1.919.710	17.381.035
	48.581.001	20.526.150
b) Service sales:		
Birleş	206.171	-
Other	-	1.518
	206.171	1.518
c) Sales of property, plant and equipment:		
Birleş	112.155	-
Other	882	39.950
	113.037	39.950
d) Rental income:		
Birleş	89.771	-
YBP	21.559	38.877
	111.330	38.877
e) Product purchases:		
Birleş	2.051.119	-
YBP	-	617.107
	2.051.119	617.107
f) Service purchases:		
Yaşar Holding	759.484	653.642
YBP	149.604	119.636
Other	88.270	163.844
	997.358	937.122

Service purchases from Yaşar Holding are related with the human resources services, strategical planning, and consultancy services.

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

ii) Transactions with related parties (Continued):

	2006	2005
g) Other purchases:		
YBP	28.739	-
Pınar Süt Mamülleri San. ve Tic. A.Ş.	27.691	26.969
Other	9.979	4.046
	66.409	31.015

h) Financial expenses:

YBP	1.117.166	1.110.869
Yaşar Holding	345.491	98.859
	1.462.657	1.209.728

i) Financial income:

YBP	482.058	370.156
Yaşar Holding	156.688	-
	638.746	370.156

j) Key management compensation:

Benefits to key management	228.557	359.713
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NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	2006	2005
a) Other short term receivables::		
Value Added Tax ("VAT") receivables	2.825.355	2.320.014
Other	30.910	8.381
	2.856.265	2.328.395

b) Other short term liabilities:

Notes payables due to purchase of investment in associate	-	551.868
	-	551.868

c) Other long term financial liabilities:

Withholding taxes and funds payable	161.060	189.966
	161.060	189.966

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NOT 11 - BIOLOGICAL ASSETS

None (2005: None).

NOTE 12 - INVENTORIES

	2006	2005
Raw materials	928.259	742.827
Finished goods	533.181	410.577
Demijohn stocks	352.432	284.957
Pallet stocks	343.881	108.017
Spare part	605.729	452.242
Other	42.432	52.299
	2.805.914	2.050.919
Less : Provisions for diminution in net realisable value	(83.692)	(83.692)
	2.722.222	1.967.227

Raw materials are stated at their net realisable values by recording on obsolescence in provision. Other inventories are stated at cost. Cost of materials recognised as expense and included in cost of goods sold amounting to YTL 19.791.323 (2005: YTL 16.332.957).

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

None (2005: None).

NOTE 14 - DEFERRED INCOME TAX ASSETS AND LIABILITIES

The Company calculates deferred 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.

As stated in Note 41, in accordance with article No: 69 of Corporate Tax Law amended by Tax Law No: 5479, unused investment incentives of income and corporate taxpayers as at 31 December 2005 that has not been deducted from corporate income of 2005 and investment incentive allowances calculated based on the regulations enacted as of 31 December 2005, 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 preferred utilising investment incentive allowance exemption, deferred income taxes are calculated on temporary differences that are expected to be realised or settled under the liability method in 2007 and 2008 using the enacted tax rate of 30% and 20% for the temporary differences to be realised or settled thereafter.

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NOTE 14 - DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

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

	<u>31 December 2006</u>		<u>31 December 2005</u>	
	Cumulative temporary differences	Deferred tax assets/ (liabilities)	Cumulative temporary differences	Deferred tax assets/ (liabilities)
Unused tax credits	(22.031.501)	2.247.213	(23.861.289)	2.433.851
Carry forward tax losses	-	-	(2.826.072)	847.822
Restatement differences on tangible and intangible assets that are expected to be realized after 2008	2.525.787	(505.157)	4.257.279	(1.277.184)
Restatement differences on tangible and intangible assets that are expected to be realized before 2008	1.403.565	(421.070)	-	-
Impairment on machinery and equipment expected to be realised after 31 December 2008	(455.578)	91.116	(691.516)	207.455
Impairment on machinery and equipment expected to be realised before 31 December 2008	(154.444)	46.333	-	-
Provision for employment termination benefits	(211.781)	42.356	(166.444)	49.933
Useful life difference	5.975.146	(1.195.029)	4.473.989	(1.342.197)
Revaluation on buildings expected to be realised after 31 December 2008	4.495.459	(899.092)	5.356.543	(1.606.963)
Revaluation on buildings expected to be realised before 31 December 2008	573.183	(171.955)	-	-
Revaluation on machinery and equipments expected to be realised after 31 December 2008	5.245.396	(1.049.079)	6.289.996	(1.886.999)
Revaluation on machinery and equipments expected to be realised before 31 December 2008	687.300	(206.190)	-	-
Revaluation on land (Note 41)	3.915.120	(195.756)	-	-
Impairment on available for sale investment	(2.352.909)	470.582	-	-
Fair value reserve of available for sale investment	4.756.687	(237.834)	-	-
Other	(325.155)	81.708	(341.863)	102.559
Deferred tax liabilities - net		(1.901.854)		(2.471.723)

Movements in deferred income tax liabilities can be analysed as follows:

	2006	2005
1 January	(2.471.723)	(2.936.403)
Charge to revaluation reserve (Note 19)	963.000	(33.698)
Charged to available-for-sale investments fair value reserve (Note 16)	(237.834)	-
Debited/ (credited) to income statement (Note 41)	(155.297)	498.378
31 December	(1.901.854)	(2.471.723)

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

	2006	2005
a) Other current assets:		
Prepaid expenses	16.021	16.721
	16.021	16.721
b) Other non-current assets:		
Prepaid expenses	55.405	63.417
Other	1.800	1.800
	57.205	65.217

NOTE 16 - FINANCIAL ASSETS

	2006	2005
Available-for-sale investments	9.046.572	7.735.147
Investment in associate	380.443	-
	9.427.015	7.735.147

a) Available-for-sale investments:

	2006		2005	
	YTL	%	YTL	%
YBP	8.752.672	4,79	7.064.097	4,79
Yataş	293.900	1,96	-	2,00
Desa Enerji	-	5,00	671.050	5,00
	9.046.572		7.735.147	

Yataş, whose fair value cannot be determined reliably have been stated at cost less provision for impairment. YBP and Desa Enerji were stated at their fair values calculated using general accepted valuation techniques.

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NOTE 16 - FINANCIAL ASSETS (Continued)

a) Available-for-sale investments (Continued):

Movements of available-for-sale investments in 2006 and 2005 were as follows:

	2006	2005
1 January	7.735.147	8.434.693
Additions:		
Yataş- Capital increase	399.741	199.871
Impairment losses:		
Yataş (Note 38)	(105.841)	(199.871)
Desa Enerji A.Ş. (Note 38)	(671.050)	-
Fair value gain/ (loss):		
YBP	1.688.575	(699.546)
31 December	9.046.572	7.735.147

Movements of fair value reserves of available-for-sale investment in 2006 and 2005 were as follows:

	2006	2005
1 January	3.068.112	3.767.658
Increase/ (decrease) in fair value of YBP	1.688.575	(699.546)
Deferred income tax on available-for-sale investments (Note 14)	(237.834)	-
31 December	4.518.853	3.068.112

b) Investment in associate:

	2006		2005	
	YTL	Shareholding (%)	YTL	Shareholding (%)
Birmaş	380.443	25	125.000	25
Less: capital commitments	-		(125.000)	
	380.443		-	

Movement of investments in associates is as follows:

	2006
1 January	-
Payment of capital commitment	125.000
Share of results of associate (Note 38)	323.900
Share of taxation of associate (Note 41)	(68.457)
31 December	380.443

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NOTE 16 - FINANCIAL ASSETS (Continued)

b) Investment in associate (Continued):

Financial information relating to the investment in associate at 31 December 2006 and 2005 were as follows:

	2006	2005
Total assets	4.874.392	87.937
Total liabilities	3.352.622	95.823
Net profit for the year	1.021.772	(7.886)

NOTE 17 - NEGATIVE/ POSITIVE GOODWILL

None (2005: None).

NOTE 18 - INVESTMENT PROPERTY

None (2005: None).

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2006	Additions	Disposals	Transfers	31 December 2006
Cost or valuation:					
Land	4.445.677	-	-	-	4.445.677
Land improvements	498.103	88.361	-	-	586.464
Buildings	11.141.740	-	-	2.246.138	13.387.878
Machinery and equipment	46.866.20	964.184	(112.226)	227.968	47.946.132
Motor vehicles	728.586	-	(360.498)	-	368.088
Furniture and fixtures	6.301.688	1.296.028	(236.425)	-	7.361.291
Construction in progress and advances given	70.246	3.435.948	-	(2.474.106)	1.032.088
	70.052.246	5.784.521	(709.149)	-	75.127.618
Accumulated depreciation:					
Land improvements	(83.018)	(18.487)	-	-	(101.505)
Buildings	(1.795.474)	(475.177)	-	-	(2.270.651)
Machinery and equipment	(23.871.079)	(1.874.051)	112.226	-	(25.632.904)
Motor vehicles	(510.971)	(88.456)	339.597	-	(259.830)
Furniture and fixtures	(4.113.933)	(561.953)	38.341	-	(4.637.545)
	(30.374.475)	(3.018.124)	490.164	-	(32.902.435)
Net book value	39.677.771				42.225.183

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2005	Additions	Disposals	Transfers	Increase in revaluation reserve	Impairment (Note 38)	31 December 2005
Cost or valuation:							
Land	4.370.677	75.000	-	-	-	-	4.445.677
Land improvements	450.278	47.825	-	-	-	-	498.103
Buildings	10.610.379	101.753	(14.430)	444.038	-	-	11.141.740
Machinery and equipment	60.971.427	1.135.914	(16.540.030) (*)	333.597	1.136.334	(171.036)	46.866.206
Motor vehicles	917.738	4.255	(193.407)	-	-	-	728.586
Furniture and fixtures	6.143.548	525.338	(367.198)	-	-	-	6.301.688
Construction in progress and advances given	297.435	550.446	-	(777.635)	-	-	70.246
	83.761.482	2.440.531	(17.115.065)	-	1.136.334	(171.036)	70.052.246
Accumulated depreciation:							
Land improvements	(67.657)	(15.361)	-	-	-	-	(83.018)
Buildings	(1.335.670)	(460.285)	481	-	-	-	(1.795.474)
Machinery and equipment	(38.090.717)	(2.152.922)	16.372.560	-	-	-	(23.871.079)
Motor vehicles	(534.637)	(139.015)	162.681	-	-	-	(510.971)
Furniture and fixtures	(3.700.307)	(500.370)	86.744	-	-	-	(4.113.933)
	(43.728.988)	(3.267.953)	16.622.466	-	-	-	(30.374.475)
Net book value	40.032.494						39.677.771

(*) The Company sold its pvc bottle production line in 2005 and has continued its production of pet bottle.

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation and amortisation charges were allocated to cost of production by YTL 2.054.021 (2005: YTL 2.225.657), distribution costs by YTL 669.839 (2005: YTL 677.302) and to general administrative expenses by YTL 402.434 (2005: YTL 476.643).

Market Valuations

The fair value of land and buildings of the Company are determined by the external independent professional valuation company "Elit Gayrimenkul Değerleme A.Ş." as of 31 December 2004. The fair values of land were based on comparisons with similar buying/ selling transaction nearby whereas the fair values of the buildings and land improvements were derived from the depreciated replacement cost method. The carrying amount of land and buildings are determined by their fair values, less the subsequent depreciation, and the carrying amounts of the land and buildings are assumed not to be significantly different from their fair value as of December 2006. Furthermore, machinery and equipment are also stated at fair values, which were determined by the external independent professional valuation company, Vakıf Gayrimenkul Ekspertiz ve Değerlendirme A.Ş., as of 31 December 2005.

The Company's land, land improvements and buildings were last revalued on 31 December 2004, and machinery and equipment were revalued on 31 December 2005 by external independent valuers. The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserve in equity.

Decreases that arose from revaluations performed related to land, land improvements, buildings and machinery and equipment were deducted from the revaluation reserve in the equity to the extent of any credit balance existing in revaluation reserve in respect of related assets. For certain assets which have no revaluation reserve left, the decreases were recognised in the income statement.

Increases in revaluations performed related to land, land improvements, buildings and machinery and equipment were credited to the revaluation reserve in equity. However, for certain assets, the increase was recognised in the income statement to the extent that it reversed the impairment of the same asset previously recognised in the income statement.

The market values of the machinery and equipment are determined based on the depreciated replacement cost. Machinery and equipment are stated at fair value less the subsequent depreciation and carrying amounts are not assumed to be significantly different from their fair values as of 31 December 2006. All other property, plant and equipment are carried at cost less accumulated depreciation.

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of revaluation reserve in 2006 and 2005 were as follows:

	2006	2005
1 January	12.067.086	11.988.458
Tax rate change effect on revaluation reserve	965.196	-
Deferred income tax calculated on revaluation of land (Notes 14 and 41)	(195.756)	-
Depreciation transferred from retained earnings/ (accumulated losses)	(645.201)	(954.473)
Deferred income tax calculated on depreciation transfer	193.560	307.202
Disposal from revaluation reserve	-	(69.535)
Additions to revaluation reserve- net	-	1.136.334
Deferred income tax calculated on change in revaluation reserve- net	-	(340.900)
31 December	12.384.885	12.067.086

NOTE 20 - INTANGIBLE ASSETS

	1 January 2006	Additions	Disposals	31 December 2006
Cost:				
Rights	1.003.075	25.374	-	1.028.449
Accumulated amortisation	(836.247)	(108.170)	-	(944.417)
Net book value	166.828			84.032
	1 January 2005	Additions	Disposals	31 December 2005
Cost:				
Rights	999.495	3.580	-	1.003.075
Accumulated amortisation	(724.598)	(111.649)	-	(836.247)
Net book value	274.897			166.828

NOTE 21 - ADVANCES RECEIVED

	2006	2005
Order advances received	8.324	7.035
	8.324	7.035

NOTE 22 - PENSION PLANS

None (2005: None).

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NOTE 23 - PROVISIONS

	2006	2005
a) Short-term provisions:		
Provision for rent and water accruals	1.880.532	1.693.425
Current income tax liabilities (Note 41)	661.904	-
Provision for litigation (*)	50.093	137.684
Other	16.155	24.859
	2.608.684	1.855.968

(*) The provision is related with the legal cases filed against the Company by a supplier.

Movement of provision for rent and water accruals is as follows:

	2006	2005
1 January	1.693.425	1.470.072
Charge to the statements of income (Note 38)	187.107	223.353
31 December	1.880.532	1.693.425

Movement of provision for litigation is as follows:

	2006	2005
1 January	137.684	137.684
Charge to the statements of income (Note 38)	41.125	-
Credited to the statements of income (Note 38)	(128.716)	-
31 December	50.093	137.684

b) Long-term provisions:

Provision for employment termination benefits	211.781	166.444
	211.781	166.444

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.

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NOTE 23 - PROVISIONS (Continued)

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
Probability of retirement (%)	96	95

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 1.770,62) 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	166.444	122.308
Interest cost (Note 37)	5.877	2.503
Actuarial (gain)/ loss (Note 37)	(9.035)	12.546
Annual charge (Note 37)	56.669	44.298
Paid during the year	(8.174)	(15.211)
31 December	211.781	166.444

YTL 53.511 (2005: YTL 59.347) of the interest cost, actuarial gain and loss 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

There are 12.732.754 (2005: 12.732.754) units of shares with a face value of YTL 1 each (2005: YTL 1 each). There are no privileged shares.

The compositions of the Company's share capital at 31 December 2006 and 2005 were as follows:

	2006		2005	
	Share %	YTL	Share %	YTL
Yaşar Holding	57,93	7.376.045	0,80	101.992
Public quotation	32,46	4.132.567	32,46	4.132.567
Pınar Süt A.Ş.	8,81	1.122.150	8,81	1.122.150
YBP	0,80	101.992	0,80	101.992
Yapaş A.Ş.	-	-	57,13	7.274.053
	100	12.732.754	100	12.732.754
Inflation adjustment to share capital (Note 26)		11.713.515		11.713.515
Shareholders' equity		24.446.269		24.446.269

Inflation adjustment to share capital represents the restatement effect of contributions of cash nature to share capital at purchasing power of YTL at 31 December 2004.

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NOTE 26 - CAPITAL RESERVES

	2006	2005
Revaluation reserve (Note 19)	12.384.885	12.067.086
Inflation adjustment to shareholders' equity (Note 25)	11.713.515	11.713.515
Available-for-sale investment fair value reserve (Note 16)	4.518.853	3.068.112
	28.617.253	26.848.713

NOTE 27 - PROFIT RESERVES

None (2005: None)

NOTE 28 - RETAINED EARNINGS

Retained earnings, as per the statutory financial statements, other than legal reserves, are available for distribution, subject to the legal reserve requirement referred to below:

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:

Effective 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 Communiqué, items of statutory shareholders' equity such as share capital, issue premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in shareholders' equity in total as "inflation adjustment to shareholders' equity".

The Company's shareholders' equity table as of 31 December 2006 and 2005:

	2006	2005
Share capital (Note 25)	12.732.754	12.732.754
Revaluation reserve (Note 19)	12.384.885	12.067.086
Available-for-sale investment fair value reserve	4.518.853	3.068.112
Inflation adjustments to shareholders' equity	11.713.515	11.713.515
Net profit for the year	6.816.745	3.803.628
Retained earnings/ (accumulated loss)	675.292	(3.773.537)
Total shareholders' equity	48.842.044	39.611.558

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NOTE 29 - FOREIGN CURRENCY POSITION

	2006		YTL equivalent
	USD	Euro	
Assets:			
Cash and cash equivalents	67.021	107.215	292.713
Due from related parties	201.816	185.423	626.984
	919.697	268.837	292.638
Liabilities:			
Trade payables-short term	(10.255)	(11.538)	(35.777)
Due to related parties	-	(1.320.130)	(2.444.221)
	(10.255)	(1.331.668)	(2.479.998)
Net foreign currency asset/ (liability) position	258.582	(1.039.030)	(1.560.301)
	2005		YTL equivalent
	USD	Euro	
Assets:			
Cash and cash equivalents	377.000	-	505.858
Due from related parties	6.761.104	644.798	10.095.694
	7.138.104	644.798	10.601.552
Liabilities:			
Short-term bank borrowings	(1.596.703)	(116.665)	(2.327.662)
Trade payables-short term	(5.496)	(30.518)	(55.821)
Due to related parties	(2.138.454)	-	(2.869.378)
Other short term liabilities	(411.289)	-	(551.868)
Long-term bank borrowings	(5.287.112)	(332.227)	(7.621.657)
	(9.439.054)	(479.410)	(13.426.386)
Net foreign currency (liability)/ asset position	(2.300.950)	165.388	(2.824.834)

NOTE 30 - GOVERNMENT GRANTS

None (2005: None).

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NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	2006	2005
a) Guarantees Given		
Bails given	590.628.500	-
Mortgages	9.200.000	16.173.000
Guarantee letters	350.361	347.729
	600.178.861	16.520.729
b) Guarantees received		
Mortgages	2.780.350	6.225.350
Guarantee letters	857.376	1.171.780
Guarantee cheques	255.304	116.893
Guarantee notes	135.186	2
	4.028.216	7.514.025

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., Pınar Süt Mamülleri Sanayii A.Ş., Viking Kağıt ve Selüloz 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 EUR319.000.000 (equivalent of YTL 590.628.500).

The Company has water purchase commitments amounting to YTL 884.800 (2005: YTL 800.000) as of 31 December 2006.

NOTE 32 - BUSINESS COMBINATIONS

In the meeting of General Assembly on 30 June 2005, the shareholders decided to merge the Company with "Marmara Su Meşrubat ve Gıda Sanayi A.Ş." ("Marmara Su") by way of acquiring all of Marmara Su's assets and liabilities as of 31 December 2004.

Based upon the Extraordinary General Assembly decision dated 30 June 2005 and CMB's authorization, numbered B.02.1.SPK.0.13-1198-12821 dated on 27 May 2005; the legal merger of Marmara Su and the Company as of 31 December 2004, wherein all the assets and liabilities of Marmara Su had been acquired based on Turkish Commercial Code Article 451, Corporate Tax Law Articles 37-39 and the other related articles, was decided to be affirmed.

On 9 August 2005, in trade registry gazette numbered 6338, it is declared that the Company's Extraordinary General Assembly held at 30 June 2005 and legal merger agreement dated 8 August 2005 was registered by the İzmir Trade Registry Office.

Based on the Communiqué numbered I-31 announced by the CMB, the rates used for the merger and exchange for the common shares, which have been determined by the independent institution by equity method, are 88,7833% and 106,2642% respectively. In this respect, the paid up capital of the Company before the merger amounting to YTL 11.304.563 has been calculated as YTL 12.732.754 by dividing the paid up capital prior the merger to the rate used for the merger, and increased to YTL 12.732.754 by issuing bonus shares. The total aggregated equity of Pınar Su and Marmara Su prior to the merger amounted to YTL 38.252.996, and amounted to YTL 35.404.840 after the merger.

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NOTE 32 - BUSINESS COMBINATIONS (Continued)

	Pınar Su	Marmara Su	Total
Share capital	11.304.563	2.400.000	13.704.563
Capital reserves	21.456.961	9.869.586	31.326.547
Accumulated losses	(1.959.002)	(4.819.112)	(6.778.114)
Total shareholders' equity before merger - 31 December 2004	30.802.522	7.450.474	38.252.996
			2004
Total shareholders' equity of Pınar Su and Marmara Su before merger			38.252.996
Decrease in shareholders' equity due to elimination of Pınar Su's investment in Marmara Su			(2.523.129)
Decrease in shareholders' equity due to correction of capitalised finance costs (Note 2.4)			(325.027)
Total shareholders' equity after merger - 31 December 2004			35.404.840

NOTE 33 - SEGMENT REPORTING

None (2005: None).

NOTE 34 - SUBSEQUENT EVENTS

The mortgages given to banks as of 31 December 2006 are nil as of 20 March 2007 (2005: none).

NOTE 35 - DISCONTINUED OPERATIONS

None (2005: None).

NOTE 36 - OPERATING REVENUE

The breakdown of sales income for the periods then ended 31 December is as follows:

	2006	2005
Domestic sales	73.438.852	67.848.296
Export sales	4.198.225	5.508.227
	77.637.077	73.356.523
Less : Discounts	(28.965.911)	(29.499.989)
Returns	(90.165)	(32.854)
Net sales	48.581.001	43.823.680
Cost of sales	(32.900.583)	(27.126.604)
Gross Profit	15.680.418	16.697.076

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NOTE 37 - OPERATING EXPENSES

i. Selling and Distribution Expenses:

	2006	2005
Advertisement	1.385.925	1.021.030
Transportation	776.924	4.310.978
Depreciation and amortisation	669.839	677.302
Export expenses	367.560	264.523
Staff costs	358.792	939.275
Energy and utilities	56.850	174.485
Other	417.370	785.428
	4.033.260	8.173.021

ii. General Administrative Expenses:

Staff costs	981.941	1.079.081
Consultancy expenses	870.018	731.780
Depreciation and amortisation	402.434	476.643
Outsourced services	313.948	283.885
Communication	196.218	144.748
Funds and aids	131.855	97.255
Energy and utilities	116.737	121.842
Taxes	58.334	49.474
Employment termination benefits	53.511	59.347
Travel expenses	42.769	50.672
Other	374.405	328.044
	3.542.170	3.422.771

Total operating expenses	7.575.430	11.595.792
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NOTE 38 - OTHER INCOME AND EXPENSES

	2006	2005
i. Other income:		
Foreign exchange gain	1.940.074	456.445
Share of results of associates (Note 16)	323.900	-
Bail income	261.355	-
Gain from sales of property, plant and equipment	229.630	73.951
Interest income	154.817	395
Reversal of provision for litigation (Note 23)	128.716	-
Reversal of provision for doubtful receivables (Note 7)	104.788	-
Gain from sales of scrap and packing	100.516	89.741
Rent income	98.117	77.755
Reversal of impairment on machinery and equipment (Note 19)	-	116.335
Other	101.520	29.233
	3.443.433	843.855

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NOTE 38 - OTHER INCOME AND EXPENSES (Continued)

	2006	2005
ii. Other expenses:		
Impairment on available-for-sale investments (Note 16)	(776.891)	(199.871)
Provision for rent and overdue interest charge on water expense (*)	(187.107)	(223.353)
Litigation cost (Note 23)	(41.125)	-
Impairment on machinery (Note 19)	-	(287.371)
Bad debt expenses	-	(104.788)
Other	(7.125)	(98.984)
	(1.012.248)	(914.367)

(*) In April 2002, the agreement between the Company and the Special Provincial Administration concerning the charge-out rates per cubic meter of water and the rent charge of the Şaşal production facility expired and as of December 2002, the Company ceased production at the Şaşal facilities due to an ongoing dispute between the Company and the Special Provincial Administration; in this respect a provision for water and rent charges amounting to YTL 1.880.532 (2005: YTL 1.693.425) has been recognised.

NOTE 39 - FINANCIAL EXPENSES

	2006	2005
Foreign exchange loss	2.147.298	574.686
Bank commission expenses	479.401	604.000
Interest expense	169.653	462.621
Other	37.418	84.215
	2.833.770	1.725.522

NOTE 40 - GAIN/ (LOSS) ON NET MONETARY POSITION

None (2005: None).

NOTE 41 - TAXES ON INCOME

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.

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NOTE 41 - TAXES ON INCOME (Continued)

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, the Company preferred utilising investment incentive allowance exemption.

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. 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:

Effective from 1 January 2006, 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.

The dividend income obtained from the companies that are corporate taxpayers 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.

Profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax.

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 14th and recurring 14th 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

PINAR SU SANAYİ VE TİCARET A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

NOTE 41 - TAXES ON INCOME (Continued)

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

	2006	2005
- Current corporation tax expense (*)	(661.904)	-
- Deferred tax (expense)/ income (Note 14)	(155.297)	498.378
- Share of taxation of associate (Note 16)	(68.457)	-
Taxation on income	(885.658)	498.378

(*)Current income tax liability consists of withholding tax at the rate of 19,8% on the investment incentive allowance utilised in 2006 amounting to YTL 3.342.949.

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

	2006	2005
Profit before tax	7.702.403	3.305.250
Tax calculated at tax rates applicable to the profit	(2.310.721)	(991.575)
Effect of depreciation transfer (Note 19)	(193.560)	(286.342)
Expenses not deductible for tax purposes	(132.229)	(160.687)
Effect of changes in effective tax rates and regulations	681.756	-
Utilisation of previously unrecognised investment incentive allowance	597.614	648.137
Tax effect of impairment on available-for-sale investments	237.515	-
Income not subject to tax	70.951	59.503
Effect of share of results of associate	28.713	-
Carry forward tax losses for which no deferred income tax asset was recognised	-	1.298.937
Tax calculated on land	31.679	-
Other	102.624	(69.595)
Taxation on income	(885.658)	498.378

NOTE 42 - EARNINGS PER SHARE

Earnings per share stated in the income statement 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 0,5354 net profit per share with a face value of YTL 1 has been calculated.

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.

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

NOTE 42 - EARNINGS PER SHARE (Continued)

Basic earnings per share is calculated by dividing net profit for the year by the weighted average number of ordinary shares in issue during the year.

	2006	2005
Number of shares with face value of 1 YTL each	12.732.754	12.732.754
Earnings per share (YTL)	0,5354	0,2987

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

As of 31 December 2006, short-term liabilities of the Company exceed total current assets by YTL 837.756. However, based on the budgets and business plans, the Company management believes that the Company has the ability to continue its operations for the foreseeable future.

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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