

2006 Annual Report

Contents

Ülker Gıda	02
Ülker Gıda from Yesterday to Today	02
Key Financial and Operational Indicators	04
Ülker Gıda Shareholder Structure	05
Brand Research Conducted by AC Nielsen	07
Message from the Chairman of the Board of Directors	08
Board of Directors	10
The Message from the General Manager	12
The Food Sector in the World and in Turkey in 2006	16
Ülker Gıda in 2006	18
Production Facilities	22
Subsidiaries	24
Birlik Pazarlama	25
İdeal Gıda	26
İstanbul Gıda - Birleşik Dış Ticaret	27
Biskot Gıda	28
Atlas Gıda	29
Other Subsidiaries of Ülker Gıda	29
Social Responsibility	30
Recommendation for Distribution of Profit	33
Report of Board of Auditors	34
Corporate Governance Principles Compliance Report	35
Independent Auditors' Report	39

Ülker Gıda

Ülker Gıda fulfills its customers' needs with a wide variety of quality products and is the leading company in the Turkish food sector with its 62 years of experience, institutional structure and innovative approach.

The Vision of Ülker Gıda

To be a model company that supplies complete satisfaction at every price point to the absolute exclusion of competitor brands.



Ülker Gıda from Yesterday to Today



Ülker Gıda was established by Mr. Sabri Ülker in Eminönü, İstanbul in 1944. Ülker Gıda started as a small bakery with just three workers, producing 200 kg of cookies per day. In a few years the company relocated to a factory in the Topkapı district and with its four ovens each consisting of

20 square meters reached what was considered a high level of production at that time. Ülker Gıda produced 75 tons of cookies in 1944 and by 1948 it had already tripled its capacity in Topkapı.

In 1955, Ülker Gıda made a bold strategic decision to distribute its products nationwide at factory prices, without invoicing for transportation costs. This strategy spurred a huge uptick in demand and production capacity utilization.

The marketing of Ülker cookies, chocolate and other products in conjunction with corner stores and street vendors in Turkey's larger cities was truly a revolutionary approach. In 1970, Anadolu Gıda was established



Ülker Gıda, the first commercial venture of Ülker Group of Companies, leads in development and innovation in the core business of food production; its sales volume and profitability position it as the flagship company of the group. In 2005 in a survey conducted by the İstanbul Chamber of Industry, Ülker Gıda was ranked in the 75th place among the largest 500 industrial enterprises of Turkey.

The Topkapı (İstanbul) and Ankara factories of Ülker Gıda produce cookies, crackers, chocolate covered cookies and wafers. In the cookies and crackers field, Ülker Gıda, the indisputable leader in the Turkish food sector, also takes its place among the giant food producers of the world with its 280 assorted products. Local distribution of cookies and chocolate covered products produced by Ülker Gıda and its subsidiaries is done by its subsidiary Atlas Gıda Pazarlama, and other Ülker Group of Companies' marketing companies (Esas Pazarlama, Merkez Pazarlama and Rekor Pazarlama).

Ülker Gıda considers quality in production as the main ingredient of its successful business. In 1996, the company received ISO 9002 certification for quality standards in production and in 2001 earned HACCP certification that defines food assurance quality and standards. In 2002 as a result of the analysis done by Europe based quality certification firm BRC it garnered the highest grade, the "High Level" degree, and further secured its success within the quality arena.

New products are developed with Ülker Gıda's quality focused approach in its independent laboratories by an experienced and expert Research & Development staff. Ülker Gıda, launching an average of 60 products per year to the market, has always excelled in innovation and Ülker has become one of the most demanded food brands.

Ülker Gıda products are exported mainly to the Middle East, Russia and Central Asian Republics as well as to

Europe, Africa and the United States. Ülker contributes to Turkey's economy by exporting and represents Turkey's quality approach successfully on a global scale.

Ülker Gıda has an effective quality control system that injects synergy into the process from production through to consumption and continues its investments unabatedly based on its sustainable growth focused strategy.

Ülker Gıda's central focus is the consumer. The company responds to its consumers' needs and demands in an optimal way and values a strong and ongoing relationship with them. Research conducted in recent years attest to the high level of devotion to the Ülker brand. In the "2006 Brands" survey of AC Nielsen, Ülker Gıda ranked second both in the "brands that consumers feel close to" and "the top-of-mind brands" categories and also the first in the cookie category.

in Ankara as a multiple shareholder company as Ülker Gıda's cookie production capacity doubled.

By 1974, Ülker Gıda had begun export of its cookies to the Middle East market. During the same year, the R&D Department was established and focused its sights on competing internationally. In 1979, Ülker Gıda pioneered cellophane-based packaging, launching a whole new standard in packaging concepts.

In 2003 Ülker Gıda merged with Anadolu Gıda and realized important projects moving toward increased institutionalization. Ülker Gıda evolved from a small cookie bakery into a major food producer in 62 years. Today the company is the flagship company of the Ülker Group of Companies as well as a globally known brand.



Financial and Operational Indicators

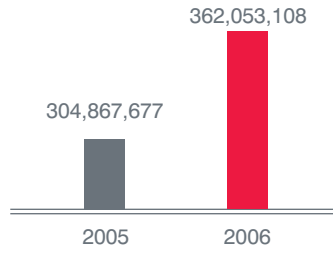
Ülker Gıda with the strong financial and operational results it achieved in 2006 increased its market value and is moving toward its future goals by taking decisive steps.

Key Highlights (YTL)

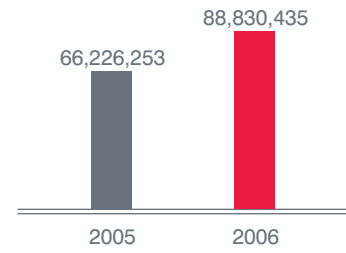
	2005	2006
Shareholders' Equity	554,487,489	535,976,601
Gross Profit	304,869,677	362,053,108
Net Operational Profit	99,671,811	91,410,674
EBITDA	131,316,421	120,166,696
Net Profit for the Period	66,226,253	88,830,435
Production (*) (ton)	113,704	124,850
Sales (*) (ton)	120,368	122,575

(*) Figures for the Topkapı and Ankara factories.

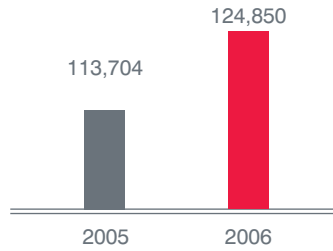
Gross Profit (YTL)



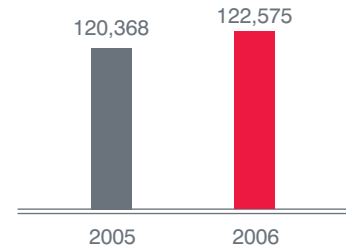
Net Profit for the Period (YTL)



Production (ton)



Sales (ton)



In 2006, Ülker Gıda's gross margin was YTL 362 million while net profit for the year reached YTL 88.8 million. Total production of the Topkapı and Ankara factories in 2006 reached 124,850 tons, an increase of 10% over the previous year, while the total sales volume of Ülker Gıda was 122,575 tons.



Ülker Gıda Shareholder Structure

The shareholder structure of Ülker Gıda as of 31 December 2006 is found below. No single individual owns more than a 10% share in the company.

<i>Shareholder</i>	<i>Amount (YTL)</i>	<i>(%)</i>
Yıldız Holding A.Ş.	103,726,151	43.02
UEB Dynamic Growth Fund	64,058,623	26.57
Ülker Family	14,420,156	5.99
Free float and others	58,882,070	24.42
Total	241,087,000	100.00

Ülker Gıda shares

Ülker Gıda shares are traded on the İstanbul Stock Exchange (ISE) National Market under the ticker symbol ULKER.IS.

Ülker Group of Companies' first company that went public was Anadolu Gıda. In 1996 it began trading on the stock exchange with the ticker symbol AGIDA.IS.

After Anadolu Gıda's merger with Ülker Gıda on 31 December 2003, the ticker symbol was changed to ULKER.IS.

The graph showing Ülker Gıda share's corrected prices and transaction volumes between January 2006 and April 2007 is presented on page 6. Ülker Gıda, being one of the biggest İstanbul Stock Exchange companies regarding both the volume and the market value after the merger, is also listed in ISE-30 Index which is composed of the companies that is highly representative of ISE (April 1, 2004).

Bizim Menkul Değerler DJIM Turkey A Type Stock Exchange Investment Fund
Since 2006, Ülker Gıda is one of the 15 large companies whose stock is in Bizim Menkul Değerler DJIM Turkey A Type Stock Exchange Investment Fund that is based in the Dow Jones Islamic Market Turkey (DJIMT) index.

As of 4 April 2007, Ülker Gıda's market value is USD 893 million.

Biskrem Çubuk
achieved a first in Turkey
by transferring the
chocolate cookie taste
to a bar form.



Ülker Gıda Share Performance

Source: Reuters & Bizim Menkul Değerler

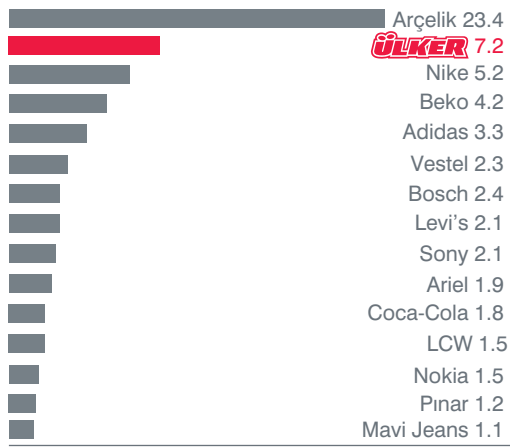
Company	ULKER GIDA
Reuters & Foreks Code	ULKER.IS
ISIN Code	TREULKR00015
Industry	Food
ISE index listings	XU100 XU050 XU030 XUTUM XUSIN XGIDA
Share price (YTL)	4.82
Free Floation (%)	28
Market Value ('000 \$)	840,961
Free Floating Market Value ('000 \$)	235,469
Average Trading Volume ('000 \$)(02.01.04-16.02.07)	6,565
Beta	0.89



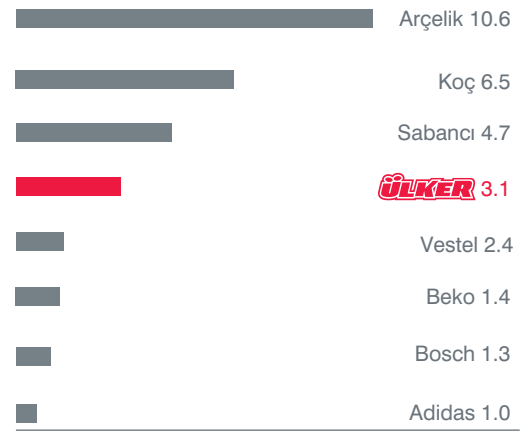
Brand Research Conducted by AC Nielsen

In its 2006 survey, Nielsen Brand Research found that in the cookie category Ülker continues to keep its position as the first brand in top-of-mind awareness and continues to keep its second place as the brand consumers feel close to and the top-of-mind brands.

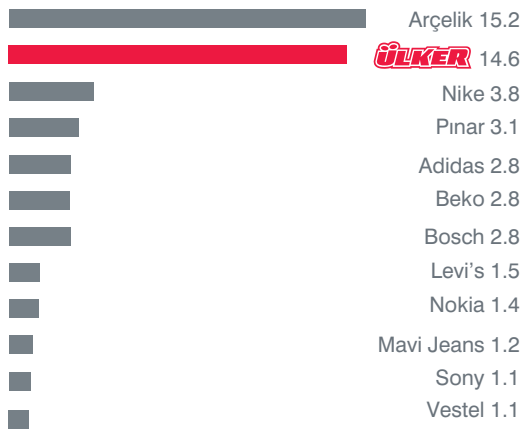
The Brand Consumers Feel Close to %



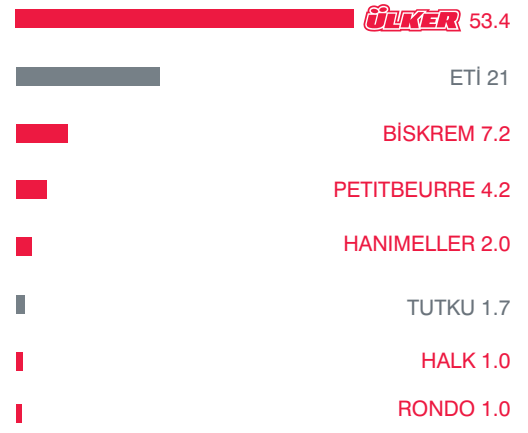
The Top-of-Mind Brands %



The Brand Consumers Feel Close to %



The Top-of-Mind Brands %



Source: AC Nielsen

Message from the Chairman of the Board of Directors

Ülker Gıda continues its changing process adherent to the consumers' expectations and reaffirms its place with stable developments as one of the respected food manufacturers of the world and Turkey.



Dear shareholders,

Yet another year has passed in which important developments in the world and in Turkey transpired. Before beginning remarks about Ülker Gıda I would like to share my opinions about the economic climate of the world and our country.

In the global economy, 2006 has been a year in which high growth rates were witnessed in a generally optimistic atmosphere. The positive outlook of the macro economy was due to the high capacity utilization rates in the manufacturing sector which were supported by increasing production and investment. In 2006, the stabilization program that aims for sustainable growth in Turkey's economy was applied without concessions. In this process, growth that has continued unabated for 19 quarters was again sustained although it faced trials such as high interest rates in Turkey's economy, an increase in the current account deficit and low currency rates.

In light of the developments in the global economic arena in 2006, changes in the expectations of consumers continued within the food sector worldwide. In this respect freshness in food, healthy nutrition and convenient products that ease life, with low production costs, gain importance. In addition, we observe that food companies fortified their sales and delivery infrastructure and increased investment in the market that is more open to innovation and development than ever.

The food industry is one of the leading sectors in Turkey and is becoming ever more important. Turkey's food sector, as a successful and competitive player in the global food industry, is drawing attention with its infrastructure, know-how and products that are able to reach every point in the world. Our producers besides closely following global industry trends are also actively contributing to the setting of trends and meet consumer expectations with a hygienic and quality service concept.

Parallel to the developments in the world and in our country in 2006, this year has been a year of leaps and advancements for Ülker Gıda, the flagship company of the Ülker Group of Companies. With the sales volume and the steady growth that it has achieved, Ülker Gıda reaffirmed its position among the most respected food manufacturers of the world.

Institutionalization of operations, restructuring and new product launches were the most significant areas for Ülker Gıda in 2006. These activities continue in Ülker Gıda in accordance with the restructuring strategy of Ülker Group of Companies that underwent a period of rapid growth during the 1990s. In 2006, transition from a centralized structure toward a more effective, professional management style that included strategic business plans in which the middle management share, collaborate and communicate became more important.

Step by step, Ülker Gıda is developing a stronger structure and is reshaping its sales and distribution organizations while making simultaneously structural changes in the product and marketing functions. The management and the staff of the company that is at the center of all these processes and who will carry them forward were further strengthened with new high level executives that joined the Company and also through internal promotions.

Each year we have reaffirmed our leadership in the sector by answering our customers' needs and expectations at the highest level with new products launched to the market. In the intensely competitive environment in which we operate, our market share reached 59% with our subsidiaries İdeal Gıda and Biskot Gıda who produce cookies for us.

As a consequence of our strategy to focus on our core competency, in 2006 we, as Ülker Gıda, disposed of businesses that are not a part of our main operations. The high level of marketing and communications expenses spent over the course of the year with the aim of creating a stronger and bigger Ülker Gıda in the future is already showing its positive effects as net sales reached YTL 1.7 billion in 2006, increasing 32% compared to the previous year.

Further solidified with shareholders' equity reaching YTL 536 million and total assets YTL 1 billion, our financial structure also affected business results positively. Our net profit reached YTL 88.8 million. In 2006, Ülker Gıda thanks to the performance of our country's economy and the food sector in particular distributed dividends to shareholders that surpasses expectations, beyond the annual inflation rate.

We are firm believers that the positive developments achieved in recent years in Turkey's economy will continue in 2007 and our own results will also continue along on its growth trajectory.

Ülker Gıda will maintain its ongoing operations, research opportunities for additional growth in existing business areas, make plans for increased productivity, encourage innovation and fortify its technological infrastructure in 2007.

Within the principals of lean management, our goal is to shape a business model that is focused on speed and is also results-oriented. Our experiences of many years and our innovative approach will be the guarantee of the successes we will be achieving from now into the future.

Sincerest regards,

Murat ÜLKER
Chairman of the Board of Directors

Board of Directors



Orhan ÖZOKUR
Vice Chairman

Murat ÜLKER
Chairman

Ali ÜLKER
Board Member



Necdet BUZBAŞ
Board Member

Dr. Cafer FINDIKOĞLU
General Manager

Cengiz SOLAKOĞLU
Board Member
(Independent)

Mahmut Mahir KUŞCULU
Board Member
(Independent)

Audit Committee

Ataman YILDIZ
Member of
the Audit Committee

Nurettin ALİZ
Member of
the Audit Committee

Hilmi DURMAZ
Member of
the Audit Committee

The Message from the General Manager

In 2006 we have achieved financially and operationally strong results through our product line enriched with an innovative approach, our corporate structure empowered with increased institutionalization and new infrastructural investments.

Dr. Cafer Fındıkoğlu
General Manager



Dear shareholders,

The recent macroeconomic structural changes and the positive progress in Turkey's economy in 2006 were also felt in developments of the food industry, the country's fourth largest industry. The Turkish food industry, competing successfully with global players, reaffirmed its place in the world market with its experience and quality.

Parallel to the developments within the sector in 2006, it has been a year that was marked by innovation and new leaps forward for Ülker Gıda, whose philosophy is characterized by continuous change, development and profitable growth.

In 2006 we continued to diversify and enrich our product line and also took determined steps toward empowering our management structure. Within the framework of these activities, Ülker Gıda achieved a more dynamic outlook in the eyes of all of its stakeholders.

Our flawless financial and operational performance, our enhanced and versatile strong relationships, our investments and our profit based continuous growth strategy display once again our leadership in Turkish food sector in 2006.

Ülker Gıda's performance in 2006

Our company continued to develop its activities in the production of its cookies, crackers, chocolate covered cookies and wafer products in the Topkapı and Ankara factories in 2006.

In 2006, we have achieved 124,850 tons of production with 31 different brands as Ülker Gıda. Our capacity utilization in the Ankara factory reached 67%, while the Topkapı factory achieved a rate of 85%. Our overall capacity utilization rate was 73%.

Our products are being presented at tens of thousands of retail points and exported to more than 100 countries. As a result of the importance given to the R&D operations and to innovation, nine new products were launched and nine other products were re-launched. Product development activities for 45 new products that started in 2006 are continuing.

In the intensely competitive market environment of 2006 our share in the cookie sector reached 59% and our total turnover increased 11.5%, to YTL 572 million.

I have tried to summarize below our main commercial and production activity goals during 2006 and their results; overall we have strived to provide for the continuous and steady growth of Ülker Gıda and produce increasing value for our shareholders.

I would like to express my gratitude to all parties that Ülker Gıda continued to be a profitable company for its local and foreign shareholders in 2006 and was one of the most recommended companies for investment in our country by foreign analysts.

The Message from the General Manager

Dynamism and innovation

At Ülker Gıda we are managing all varieties of our activities with an innovative and creative oriented approach based on the philosophy that, "The one who knows something the best is the one who does it." The activities started embracing the approach "diversification in all areas, innovation in all areas" continues with full power.

The development of healthy products that add taste and value to our lives continue in our Topkapı and Ankara facilities in an effort to always present our consumers the best tasting morsels and the best quality. The most important factor that lies behind the Ülker brands' successes is our consumer focused approach in every phase, from production to presentation.

Products that are appreciated

Ülker Gıda's innovative and dynamic structure is reflected in all our products. One of our goals is to introduce our consumers not only with new but innovative products as well. For years, Ülker Gıda has adopted and implemented the mission of meeting consumer expectations and needs at the highest level.

Ongoing investment policy

In 2006, we at Ülker Gıda have made the necessary investment in the production process. During the year, with investments of YTL 2.7 million in the Topkapı factory and YTL 4.8 million in Ankara factory we have

been able to provide the infrastructure for the new products launched in the market and the additional investment needed for the existing products. Also, the results of the continuous R&D were reflected in the production and in consumer satisfaction as well.

Strong structure and increasing institutionalization

The year 2006 was one which Ülker Gıda took steps toward achieving a more dynamic corporate organizational structure.

Analyses were made for collaboration, communication and interaction between the units and structural innovations were implemented within the organization. Our organization was rebuilt with lean management principles which continued to correct the aspects that do not add value to us as a part of the productivity activities. Our costs were analyzed and measures were taken to achieve savings. A move toward basic arrangements in the management staff was taken with new staff additions and internal promotions.

The SAP projects were implemented in order to raise the level of communication and collaboration within the company in 2006 with the awareness of the importance of the close relationship between an innovative management culture and an advanced technological infrastructure. SAP projects contributed the expansion of the business organizations.

Hanimeller, as tasty as our mothers' cookies, is the market leader in the cookie segment with a 74% of tonnage market share.



While Ülker Gıda continues its operations it also fulfills all the requirements of the corporate governance policies. Mr. Cengiz Solakoğlu and Mr. Mahmut Kuşçulu joined us as independent board members in the General Assembly held in April 2006.

According to the decisions taken by our Board in an effort to focus on our core business we disposed of our subsidiaries outside our main business activities. We sold all shares in Datateknik, a computer production company. In addition, we have relinquished control of Atlantik Gıda Pazarlama by not contributing to capital increase since this company was not selling or distributing any of our products in our portfolio and because it was not creating synergy in our company. We also closed our branch at İstanbul Leather and Industry Free Trade Zone that was not in production or sales along with the loss of the advantages of the free trade zone in this area.

Growth and value creation

Being focused on growth and getting positive results from this approach is part of Ülker Gıda's culture. In the framework of our institutional strategy and planning, researching the growth potential in existing business areas carries great importance for our company.

Ülker Gıda's approach supports innovation, paying utmost importance to the continuation of R&D activities, its ability to determine the needs of the market and its focus on profitability enables it to realize its growth strategy and meanwhile fuels the main factors of growth and contributes to getting the desired results.

Ülker Gıda is everywhere and close to everyone

Responding to the needs and demands of consumers within every age group with high quality and hygiene awareness using the latest technology is Ülker Gıda's unwavering goal. In 2007 we aim to put forth our synergy in every area from production to consumer organizations and achieve better results in productivity and gravitate toward strategic investments and continue to be the leader in the sector.

I would like to present my sincerest regards to our consumers who genuinely feel that Ülker is close to them, to our employees who carry our company to ever greater goals with their sacrifices and to our investors who do not stop trusting and believing in us.

Dr. Cafer Findıkoğlu
General Manager



The Food Sector in the World and in Turkey in 2006

The food sector continued its growth in the world and in Turkey in 2006 in parallel with the economic development.

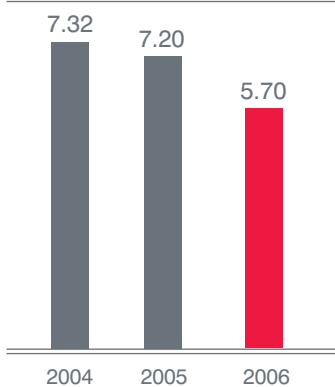
The global economy continued to achieve positive growth in 2006 as the world's trade volume increased. Besides the currency fluctuations seen toward the second half of the year, the indicators of the macro economy showed positive movement. The increase in the cost of the inputs base, with oil being at the top of the list, harbored inflation tendencies but yet production, consumption and investment and the capacity utilization rates increased considerably in different parts of the world. It is estimated that the world economy grew 5.1% in 2006.

Turkey's economy was meeting expectations in the first four months of the year and the fluctuations witnessed during the month of May caused a reduction in the economic growth rate.

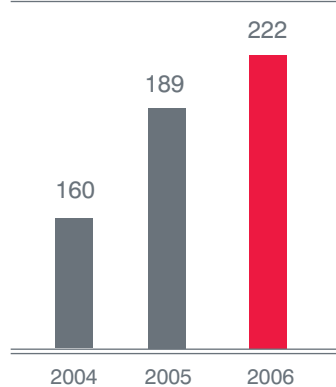
When the whole year is analyzed Turkey's economy showed a rapid recovery against a global fluctuation and continued positive economic growth throughout the year. In 2006, Turkey's foreign trade increased and exports showed 15.8% growth, with imports rising by 17.5%.

Another positive development for 2006 in Turkey was the record increase in privatization income. Direct foreign investment in 2006 reached USD 17.5 billion.

GNP Growth (in real terms-%)



Foreign Trade Volume (USD billion)



Investment, that is increasing in parallel to the economic development in the world and in Turkey, and progressive R&D activities strengthen the food sector's position in the global arena.

The world food sector maintained its vibrancy mirroring global economic development indicators.

Repositioning efforts in the food sector based upon the increase in the world's population affects the sector's future and strategies directly. With the momentum to effect changes in the structure of the food sector along the lines of consumer expectations, the importance of the R&D activities is increasing. Globally, it is observed that food companies make investment in sales and distribution which are most open to development and innovation.

The food sector, the fourth largest industry in Turkey, shows a strong

advancement in parallel with the successful performance that the country's economy exhibited during the last four years. As a result of its acceleration in the recent years, the Turkish food sector has become able to compete successfully with its global competitors. The Turkish food industry has gained an important position in the global food sector with its experience, infrastructure and quality orientation. Expectations are that it will go through positive changes and develop further during the EU accession process and will rise even more within the global arena. Export value of the sector has now reached around USD 7 billion.

Simultaneous with these developments investment in the food sector is increasing. All the business lines in the sector are more vibrant compared to previous year, reflecting the dynamism in the economy as a whole. This environment will speed the development of the sector and will enable it to achieve an even stronger standing in the global arena.



Turkey's First
Stick Crackers!



Ülker Gıda in 2006

In 2006, Ülker Gıda, keeping customer satisfaction at the forefront, continued to maintain its leadership position within the Turkish food sector with its 62 years of experience, strong leadership, product innovation, investments, dynamic management and organizational structure.

The cookie comes to mind first:

Ülker

Ülker, the cookie brand that comes to mind first, launched innovative products that kept customer expectations and needs at the highest level in 2006.

The share that Ülker Gıda captured in the cookie market reached 59% in 2006. While new tastes that delight Turkish taste buds are launched to the market, Ülker Gıda's culture with its "differentiation through creativity and a distinguished position" is a standout in the sector.

According to the results of the annual Brands survey conducted by AC Nielsen in İstanbul, Ankara and İzmir in February 2007, Ülker was the second

brand that Turkish people feel closest to. In the cookie category, among the intensely competitive environment, Ülker maintained its first place position.

Ülker Gıda's product range is expanding

Ülker Gıda, ever offering up products that suit Turkey's traditional taste buds, launched nine new products in the cookie, chocolate bar and crackers group, implemented two product development initiatives and changed packaging for seven of its products; these were all the result of the intense development trials, product improvement initiatives and general enhancement endeavors executed in the R&D departments at the Topkapı and Ankara factories in 2006.

Service to consumer satisfaction

Ülker Gıda gives great importance to its R&D activities. The company's R&D Department in Topkapı moved to its new facilities at the beginning of 2006 and continues its nonstop effort in presenting better products to Ülker's customers with its research infrastructure equipped with most updated technology.

In 2006, the Ülker Gıda R&D Department worked on 87 projects. Varieties that were turned into products as a result of the R&D activities make up 3.8% of the total product tonnage at the Ankara factory. Of the largest projects of 2006 were the improvement in the quality of the 9 Kat Tat wafers and the adjustment of the weight that elicit savings in unit costs.



Başak is the first to combine oat cookie taste with chocolate.



Ülker Gıda's R&D projects have a share of 4.46% in the total product tonnage in 2006. Development activities on the 45 approved new products foreseen by R&D Department continues.

Production performance indicators

Producing and delivering on time is critically important in the production value chain of Ülker Gıda. Ülker Gıda's Cookie Production Department makes periodic meetings with all parties involved in the sales processes to evaluate the orders coming from the sales units, ensure on-time delivery and make certain that the production activities are synchronized and coordinated.

In 2006 Ülker Gıda's production performance indicators and ratios continued to improve. The R&D departments collaborate effectively to produce Ülker quality cookie, crackers and chocolate covered bars.

Everything is for quality

During 2006 at the Ülker Gıda Topkapı and Ankara factories, the Quality Assurance departments conducted many tests and analyses in matters such as raw materials, packaging, semi-processed goods and last product evaluation. These studies concentrated on microbiological analysis, CP controls, shelf life analyses and appliance calibration.

Ülker Gıda implements all of its activities with world standard hygiene and a quality approach. The company successfully renewed its ISO, HACCP, BRC and IFS certifications.

The quality assurance units also worked on water treatment, making comparison evaluations, and after careful investigation took necessary actions regarding the complaints that came to the Quality Management Call Center. Collaborations were also made with the supplier companies so that quality sourced problems do not occur and tests and analyses were made at these locations as well.

Total management approach at the Ankara factory

The ISO Quality Management System has been implemented in the Ankara factory since 1997, TS 13001 HACCP was applied in 2001 and BRC certificates received according to the requests of foreign customers. A Total Management Approach was put into practice in 2006, raising the effectiveness and efficiency of the systems.

The company completed the infrastructure development necessary to implement the ISO 22000, an internationally approved standard in the food security area, at the Ankara

factory in 2005 and it is now at the level to receive this certificate. The goal is to receive this certificate in parallel with the ISO 9000 inspection that will take place in April 2007.

The Total Management Approach that is implemented in Ankara will contribute to improvement in design and development, production of cookies and bars, observations, measurements and analysis processes.

Investments continue

Ülker Gıda fully realized all the investments enumerated by the strategic development plan in 2006.

The common goals of the company's investments are reaffirming the leadership position of Ülker Gıda, raising customer satisfaction, improving the product quality and contributing to productivity by making the cost base more competitive through actions taken throughout the corporation.

Ülker Gıda made YTL 2.7 million in modernization and expansion investment in 2006 at the Topkapı factory. The amount of the investment made at the Ankara factory was YTL 4.8 million. Investments done in both of the factories cover areas such as expanding capacity, making

R&D Studies in 2006

New Product Başak (chocolate covered)
Rondo (melon flavored)
Mavi Yeşil Light (green tea flavored)
Alpella Ring
Wafer (filled with sesame seed cream)
Wafer (strawberry flavored)
İkram (filled with hazelnut cream) (export)
İkram (filled with chocolate cream) (export)

Development Yeni Hasat
9 Layer Wafer (50 g)

Packaging Başak (chocolate covered - 2 in 1)
Alpella Ring (5 in 1)
Alpella Ring (10 in 1)
Alpella 2-color Petitbeurre (1 kg)
Rondo (mixed pack)
Classic Clip (with spice pack)
Çokosandviç (12 in 1)

In 2006 Ülker Gıda fully realized all of the investments enumerated in its strategic development plan.

renovations, repairing production lines, converting to natural gas, raising productivity, raising the level of hygiene and increasing storage.

More institutionalized and focused structure

In the year 2006, Ülker Gıda took steps toward making its institutional structure more dynamic; implemented activities continued to make the company more vibrant and energetic.

To achieve this goal, necessary analyses were conducted to raise the level of collaboration and communication between the departments within the company and reorganization was made in the company's structure.

In accordance with the lean management principles in the company, changes were made in the team through both external hires and internal promotions.

The most important personnel change was Board Member and Head of the Cookie, Chocolate and Candy Group Mr. Ali Ülker's handing over of his duties to Dr. Cafer Fındıkoğlu.

Two independent members were promoted to the Ülker Gıda Board and this development was an important step toward completion of the corporate management transformation process.

Focusing on the main activity areas

In parallel with the changes effected in its management and corporate structure, Ülker Gıda in 2006 adopted the strategic principle of focusing on activities within its core business.

With this strategy, the company expects to focus and grow in the business it knows best and in which it has been a leader for 62 years. Thus, Ülker Gıda sold its 19% shareholding in Datateknik, the Exper branded computer production company, and closed its idle branch in the Istanbul Leather and Industry Free Trade Zone.

To be more effective and profitable

Besides the changes at the management level in 2006, Ülker Gıda implemented important adjustments in its business processes and to its

İkram, the leader with 19% tonnage share in the crème cookie segment, brought a new taste to the market with its launch of a walnut flavored variation.



human resources structure to increase the company's effectiveness, productivity and profitability.

Ülker Gıda knows the importance of the close relationship between the management culture and technological infrastructure, and so implemented the SAP project in 2006 to raise the level of communication and collaboration within the company through information technology. The work that started in May 2006 was completed in just eight months and with the superior efforts of Ülker Gıda employees SAP has been applied to eight modules as of the beginning of the year 2007.

Another change was the transition to a more lean, dynamic and productive organizational structure. Within Ülker Gıda, changes were made at the organizational level to streamline the business; while some departments were merged; other new departments were established according to the need.

Storage and supplies managers, working with the project manager of the company, conducted a successful operation to obtain, stock and protect some strategically important and vital primary products of a higher quality and in more competitive ways.

"Learning as a Team" and "Learning Organizations" activities were applied

in all sections of Ülker Group of Companies to provide for more effective and lasting productivity. The concrete results of these applications are quite evident.

Transparent communications with stakeholders

Ülker Gıda has been mindful of and respectful toward ethical values and the society in all its economic and commercial affairs it has executed since the first day it was established. The company makes great efforts in meeting its legal and regulatory obligations as an upright and model corporate citizen.

Ülker Gıda has been a public company since 1996 and maintains regular and transparent communications with all its stakeholders as a primary part of its corporate duties. The company fulfills all the obligations that the applicable law and regulations call for in our country, meets with local and foreign investors regularly and provides a constant stream of information and communications through the press or through the Internet.

Investment in human resources

The Ülker Group of Companies' main competencies include: customer centered work, teamwork, effective problem solving, results-oriented thinking, constant performance

development; innovation and strategic thinking are all developed along these lines.

Ülker Gıda continues to provide training to develop and keep up-to-date the skills sets of its human resources. Ülker Gıda provides from both within and outside the company training and resources in these areas: food chemicals and hygiene application, international financial reporting, organizational transformation and leadership, benchmarking, first aid, forming team-successful communication-my company and I, worker orientation, technical skills to name a few.

Another group of educational activities is centered on operator training and deals with issues such as work health and work security for operators, HACCP, hygiene and environmental health.

Management activities

A Collective Labor Agreement was signed in April 2006 with Öz Gıda Labor Union covering the period 1 January 2006 to 31 December 2007. In Ülker Gıda's İstanbul Topkapı factory, the senior and employee termination benefit as of 31 December 2006 was YTL 2,736,952, while in Ankara the amount was YTL 5,861,724, together totaling YTL 8,598,676.



Ülker Gıda Human Resources (2006 year-end)

Total number of employees	1,362
Topkapı Factory	412
Ankara Factory	950
White collar	165
Blue collar	1,197

Production Facilities

In Ülker Gıda's high technology equipped Topkapı and Ankara factories, a total of 125,000 tons of cookies were produced in 2006.



Ülker Gıda, with a 59% share in Turkey's cookie sector, makes its production in its Topkapı (İstanbul) and Ankara factories. In addition to these two main factories, Ülker Gıda produces cookies in İdeal Gıda (Gebze) and Biskot Gıda (Karaman) subsidiary companies.

In the Topkapı factory, cookies are produced in 13 lines, nine of them forming production and four of them forming packaging. In the Ankara factory, cookies, chocolate covered cookies and bars are produced in a total of 17 lines, 13 for cookie and 4 for bar production.

Production processes of all Ülker Gıda factories are equipped with the latest technology. Most of the packaging processes that support logistics,

package carriage, parceling and storage are automated using robot technology.

Topkapı factory (İstanbul)

In 2006, the Topkapı factory produced 52,524 tons of cookies and realized a total of 50,972 tons in net cookie sales. In some of the lines, the total production capacity was utilized. Overall, the average capacity usage rate of the factory in 2006 with three shifts was 86%.

Main products produced at the Topkapı factory:

- Petitbeurre (cacao flavored, twice boiled)
- Çizi (sesame flavored)
- Çubuk Cracker (sesamed)
- Haylayf
- Özbeki
- Çokodamla
- Hanımeller
- Baby biscuit
- Biskrem (chocolate, apple, fig flavors)





Ankara factory

Ülker Gıda's Ankara factory is on an area of 110,000 m² and the facilities total 80,000 m² of enclosed area. The Ankara factory is the largest cookie production and storage facility in the Middle East and has been an engine in the region's economy for over 35 years.

At the Ankara factory, all the production activities are administered within the TS/EN/ISO 9002 Quality Assurance System in 2006. Total production at the facility reached 72,326 tons, with net sales of 71,603 tons. The total production capacity utilization rate at the Ankara factory in 2006, using three shifts, was 67%.

Main products produced at the Ankara factory:

- Petitbeurre (plain, two colors)
- Krim Cracker
- Probis
- Çokosandviç
- As Cracker
- Başak (plain and chocolate flavors)
- İkram (chocolate, nut, cheese, walnut flavors)
- Tempo
- Rondo (banana, strawberry, plain, coconut, raspberry, cheesecake flavors)
- Altınbaşak
- Wafer (nut, banana, orange, strawberry, coconut, vanilla, cacao flavors)

- Halley
- Kat Kat Tat
- Çubuk Cracker
- Alpella Ring
- Mavi Yeşil branded products
- Hasat

Canpare offers a taste that makes even professionals jealous with special production techniques that provide for melt-in-your-mouth cookies and rich crème.



Subsidiaries

Ülker Gıda strengthens the high position that the company has in its sector by the value chain and the synergy that it creates with its subsidiaries.

Ülker Gıda, which is the flagship of the Ülker Group of Companies, has participated in a number of companies within the Group and creates a strong portfolio and synergistic opportunities via vertical and horizontal integration.

Ülker Gıda benefits from the different companies within the Ülker Group of Companies effectively. In addition to the cookie facilities in the different cities of Anatolia, it forms a value added production process that includes obtaining qualified flour, butter and packaging with this configuration.

<i>Participations</i>	<i>Field of Activity</i>	<i>Share (%)</i>
Birlik Pazarlama A.Ş.	Flour production	99.0
İdeal Gıda San. ve Tic. A.Ş.	Biscuit production	97.5
İstanbul Gıda Dış Ticaret A.Ş.	International marketing	83.8
Atlas Gıda Paz. San. ve Tic. A.Ş.	Domestic marketing	73.5
Birleşik Dış Ticaret A.Ş.	Foreign trade	68.0
Biskot Bisküvi San. ve Tic. A.Ş.	Biscuit and chocolate covered biscuit production	50.5
PNS Pendik Nişasta A.Ş.	Starch and starch-based sugar production	23.0
Sağlam GMYO A.Ş.	REIT	21.4
Netlog Lojistik A.Ş.	Logistics and transportation	12.5
Fresh Cake A.Ş.	Cake production	10.0
Tire Kutsan A.Ş.	Paper and cardboard box production	9.8
BİM Birleşik Mağazacılık A.Ş.	Retailing	8.1
Besler Gıda A.Ş.	Oil production	7.0
Ülker Finans S.A.	International finance	99.0

The legendary 9 Kat Tat continues its leadership in the wafer segment with 17% tonnage market share.



Birlik Pazarlama

Birlik Pazarlama provides the all important raw materials that Ülker Group of Companies needs.

Birlik Pazarlama is one of the most important subsidiaries of Ülker Gıda. It produces packaged wheat flour and rice flour, in addition to every kind of cereal flour that the Group needs.

Birlik Pazarlama was established in 1978 and the main facility of the company moved to Ankara in 1992. The company is located in the same area as the Ankara factory of Ülker Gıda. The land is about 63,032 m² with three flour factories; soybean, oats and the other cereal processing factories and rice facilities in an enclosed area of 24,000 m². There is also one branch and a flour factory in Karaman.

Processing capacities

The company has a total wheat processing capacity of 870 tons/day (700 tons/day in Ankara and 170 tons/day in Karaman). Birlik Pazarlama has a rice processing capacity of 19 tons/day, a soybean processing capacity of 7.5 tons/day and an oats processing capacity of 2 tons/day.

In the top 500

The company is ranked 449 of the first 500 large industrial corporations in Turkey on İstanbul Chamber of Industry's list in 2005. Birlik Pazarlama also has TSE (Turkish Standards Institute)-ISO-EN 9000 and TSE HACCP TS 13001 certifications.

Birlik Pazarlama has made contractual planting in cooperation with agrarian research institutes so as to help provide for improving, developing and increasing the varieties of wheat that are not produced enough in our country for cookie manufacturing.

In 2007

Birlik Pazarlama, with a 35,000 ton wheat storage capacity in total, is planning to increase both its wheat processing and storage capacities in 2007. Birlik Pazarlama continues its investments to become more competitive and to have the best quality production in 2007.

Hero Gıda, Tire Kutsan and PNS Pendik Nişasta are among Birlik Pazarlama's subsidiaries.



İdeal Gıda

The year 2006 was a successful one for İdeal Gıda with 37,000 tons of cookie production realized.

İdeal Gıda, which was founded in 1998, manufactures at the 26,000 m² enclosed facility on 85,000 m² land in the Gebze Industrial Area. The company has continued its cookie and cracker production, and has been active in domestic and export sales, since 2000.

Four primary product groups in seven production lines

İdeal Gıda, with a workforce of 348, has invested in its own facilities and equipment to increase its production capacity since its inception. İdeal Gıda manufactures four primary product groups for domestic and international markets in seven production lines.

The capacity utilization rate of İdeal Gıda was 92% in 2006. Manufacturing in the company is done in accordance with ISO 9001-2000, ISO 22000, ISO 14001-2004, OHSAS 18001-1999, HACCP, BRC and IFS certification standards.

Four new products

The company launched four new products to the market: Biskrem Kakao Kremalı Dolgulu Çubuk (Biskrem Cacao Cream Filled Stick), As Çubuk Kraker (As Stick Cracker), Çizi Baharatlı Çubuk Kraker (Çizi Spicy Stick Cracker) and Çubuk Kraker Tezgahüstü Stand (Stick Cracker On-Counter Stand).

In the top 500

İdeal Gıda was ranked 316 among the 500 largest industrial companies in Turkey on the Istanbul Chamber of Industry's list in 2005.

Public offering decision

At its Ordinary General Assembly on 24 February 2005, İdeal Gıda decided to increase its capital through a public floatation of a part of its stock. The company announced that they aimed to make new investments and increase capacity, turnover and market share with the new source of funds that the company will obtain from the public offering. The studies of İdeal Gıda's public offering are ongoing.

Çizi, one of the most important and powerful brands in the cracker market, increased its product variety and market share with its new stick crackers.



İstanbul Gıda - Birleşik Dış Ticaret

İstanbul Gıda and Birleşik Dış Ticaret provides for the exportation of the Ülker Group of Companies' products.

Two Companies Focused on Exports

İstanbul Gıda was founded in 1987 with the aim of selling and marketing all kinds of Ülker Group of Companies products.

Established in 1999 in the Tuzla Free Trade Zone and having a branch in the Atatürk Airport Free Trade Zone, Birleşik Dış Ticaret is another export company of the Ülker Group of Companies.

These two companies exported Ülker products initially to the Balkans and the Middle East and later to the United States, Western Europe, the Turkic Republics and Far East countries through their marketing and distribution channels. İstanbul Gıda also provides for the import needs of the Ülker Group of Companies.



Biskot Bisküvi

Biskot Bisküvi has increased its production capacity, which was 5,221 tons in 1999, to 77,862 tons in 2006.

Four Factories in Karaman

Ülker Gıda participated in Biskot Bisküvi, which operates four factories in Karaman, in 1999. In 2006, Biskot Gıda sold the cake factory-one of its four factories-to AGS Anadolu Gıda in which it has a 99% interest.

Rich product profile

Biskot Gıda produces products under the brand names Pötibör-Finger-Piknik, Kremalı and Sandviç Bisküvi, Çikolata Kaplamalı Bar, Çikolatalı Gofret, Rulokat, Çokomel, and most recently Mavi Yeşil crackers in the reduced calorie segment. The company added a number of new products to its product portfolio in 2006. Besides the Ülker, Halk, Karsa and Minuet product brands, the company continues to produce private label crackers, marshmallows, wafers, chocolate and chocolate covered products in three different factories.

The most important manufacturer in Karaman

Biskot Gıda, with ongoing investments to expand and improve its facilities, provides job opportunities to around 2,000 persons in the Karaman Organized Industrial Area and continues to be the most important manufacturer and the largest employer in the region. A significant increase in the production capacity of Biskot Gıda was affected after the acquisition of chocolate covered wafer and wafer oven facilities. The average capacity utilization rate for the cookie, cracker, bar, chocolate covered wafer and chocolate covered bar lines was 68% and in some facilities this rate reached as high as 85%.

In the top 500

Biskot Gıda was ranked 195 of the top 500 largest industrial companies in Turkey on the İstanbul Chamber of Industry's list in 2005.

Biskot Gıda has ISO 9002 certification and it received the HACCP certificate in 2005.

Mavi-Yeşil made an improvement in the diet-biscuit market with its assorted linseed and soybean-fig products.



Atlas Gıda Pazarlama

Atlas Gıda Pazarlama reaches more than 200,000 sales points around Turkey via its widespread distribution network.

The most extensive reach of sales points

Atlas Gıda Pazarlama, beginning its operations in 1987, has one of the most extensive distribution networks in Turkey within the retail sales sector.

Despite its base in İstanbul, there are active and widespread distribution networks in 10 different regions in Turkey. These networks consist of distributors, chain markets, local markets and sales representatives.

- **Distributors:** Atlas Gıda has 126 distributors. Distributors market the products that they buy from the company to their sales region and positions the products by using their own sales networks.
- **Chain Markets:** There are 17 chain markets that cooperate with Atlas Gıda directly.
- **Local Markets (Direct Markets):** These are the shops that Atlas Gıda makes direct sales..

- **Sales representatives:** They are located in İstanbul, Ankara and İzmir. They sell the products to the appointed sales points by using Atlas Gıda Pazarlama's vehicles. There are 90 sales representatives in İstanbul, 76 in Ankara and 26 in İzmir.

Focus on Cookies and Chocolate Covered Products

After the restructuring in 2005, Atlas Gıda Pazarlama was to focus primarily on cookies and chocolate covered products.

Initially, Atlas Gıda Pazarlama was marketing and distributing baby food, milk, cacao, cakes, chocolates, chocolate covered products, sweets, chewing gums, cream chocolates, marmalades, cereals, teas, powder drinks and batteries. In the third quarter

of 2005, the company assigned the marketing of all these ancillary products to the Atlantik Gıda.

After its restructuring, the company was able to implement different promotional and consumer initiatives for each of its brand categories in parallel with its rapidly expanding product portfolio, develop its storage and logistics strategies on a product basis and measure its delivery effectiveness accurately. In 2006, in an effort to increase sales at the points where consumption is high and reduce expenses with higher sales and an increased production capacity, the company turned over the marketing and delivery of some crackers, cookies and wafers to Esas Gıda Pazarlama.

Other Subsidiaries of Ülker Gıda

- **Besler Gıda** produces the raw materials of cookies and wafers, including butter;
- **PNS Pendik Nişasta** is one of the largest companies in the corn and starch sector;
- Sağlam **GMYO** works in real estate investment and went public at the beginning of 2007;
- **Fresh Cake** is an international joint-venture of Ülker Gıda and produces cakes;
- Another publicly traded company, **Tire Kutsan** produces carton and cardboard boxes,;
- **BİM Birleşik Mağazacılık** is a publicly-held company and is active in retailing;
- **Netlog Logistic** works in logistics;
- **Ülker Finans SA.**

Social Responsibility

Ülker Gıda continues its support to the social responsibility and sponsorship projects of the Ülker Group of Companies that focus on education, culture and the arts, and the environment.

From the first day of its incorporation, Ülker Group of Companies, has provided support to initiatives that improve the economic and social progress in Turkey. Among the fields that are beneficiaries of the group's social activities are education, family counseling, environmental protection, art sponsorship, hospital renovations and sports.

Ülker Gıda, the flagship company of the Ülker Group of Companies, continues the support of social awareness and sponsorship projects that the group maintains.

Cooperation with TEMA

In 2006, one of the most important projects that the Ülker Group of Companies supported was TEMA foundation's "El Koyun Projesi" (Take Initiative Project) for development of villages. The TEMA movement started to halt abuse and destruction of agricultural areas in developing countries like Turkey, which was one of the world's nations that was deemed able to become self sufficient. This movement is one of the chief projects that the group supports. The Ülker Group of Companies helps protect three villages located in Edirne Azatlı, Kırklareli Babaeski, Kuzurçağdağı and Karaoğlan and continues to support their transformation projects. Within the scope of this project, the three villages' fields are cleaned and milk production facilities that are up to EU standards are constructed.

Support for culture and the arts

Ülker Group, continuing its support of cultural and artistic projects, again sponsored the Ninth International Ülker Puppet Festival held in İstanbul on 3-10 May 2006, with the participation of world renowned puppet masters. Ülker Group of Companies highlights the importance it gives to art and artists every chance it gets and serves the aim to give puppet artistry the place it deserves in arts and appreciation of puppetry in Turkish theater.

In the culture and arts arena, another event staged by the Ülker Group of Companies was "Ülker Music Days-Travel to Eternity with Mozart." The 250th birthday of Wolfgang Amadeus Mozart was celebrated all around the world and in our country as well as a part of Ülker Music Days. In 2006,





concerts in which world's important artists interpreted Mozart's most important compositions were held in Turkey.

Support for education

The Ülker Group of Companies continues the studies to improve the infrastructure of education by building schools, new libraries, and computer laboratories and sports facilities. Some of these include Ankara Pursaklar Ülker Primary School, İstanbul Bayrampaşa Ali Ülker Primary School, Batman Sabri Ülker Primary School, İstanbul Alibeyköy Ülker Primary School, Erzurum Ülker Dormitory and ISO Foundation Etiler Career High School Sabri Ülker Sport Salon.

Also, the company provided scholarships for 55 children of deceased military personnel or policemen at the 55th company anniversary.

Two other projects that Ülker helped bring to life were the Ülker Mother-Father School project, that aims to assist mothers and fathers in communication and in taking a more effective role in the education of their children, and the Ülker Teacher Discussion project that aims to aid in understanding the problems of teachers and in discussing these issues.

Ülker in sports

The Ülker Group of Companies is a leader in bringing a modern approach to sponsorship to Turkish sports. The group supports a wide variety of sports, mainly, soccer, basketball, water sports, horse racing, skiing, among many others. Ülker Group of Companies' projects aim to take the lead in sports development, encourage sports in general, contribute to Turkish sports teams activities, foster good sportsmanship and focus on achievement.

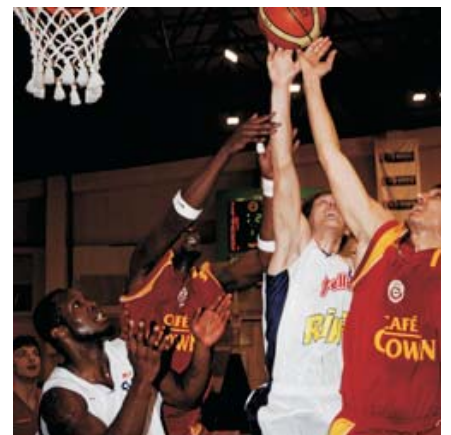
The Ülker Group of Companies also supports four biggest football teams, Beşiktaş, Fenerbahçe, Galatasaray, and Trabzonspor. Additionally, the company supports some of the second and third league football teams as well.

The Ülker Group of Companies took a great leap into basketball sponsorship by using its brands with the teams Fenerbahçe Ülker, Beşiktaş Cola Turka, Galatasaray Cafe Crown and Alpella.

Ülker assistance to flood victims

Ülker Group of Companies helped the victims of a flood disaster in South East Anatolia in November 2006. Because the flood caused heavy property damage and loss of life in the area, Ülker took steps to solve the food supply and health problems that could arise. The group sent two truckloads of foodstuffs and medical supplies to disaster relief centers for distribution.

The Ülker aid packages were delivered to disaster relief centers in Diyarbakır, Batman and Şırnak and were distributed to 1,800 flood victim families.



Recommendation for Distribution of Profit Report of Board of Auditors Corporate Governance Principles Compliance Report

Recommendation for Distribution of Profit

The consolidated income statement, which was issued and subjected to independent audit pursuant to Communiqués Serial XI, No: 25 of Capital Markets Board, as well as the profit distribution table prepared in view of the opinion regarding the calculation of the net distributable period profit from the activities in 2006 in respect of the companies that are open to public offering according to the Resolution No. 7/242 dd. 25.02.2005 and Resolution No. 21/537 dd. 05.05.2006 of Capital Markets Board also taking Resolution No. 2/53 dd. 18.01.2007 in consideration were reviewed in the Meeting No. 480 dd. 25.04.2007 of Board of Directors of Ülker Gıda, and it was resolved to distributed dividends in cash against Dividend Coupons No. 4 for the founding shares and Dividend Coupons 2006 for the Group A, B, C and D Shares. It has been resolved to recommend to our shareholders in the ordinary general meeting to give dividend in cash at the gross amount of YTL 0.10017 (10.017 %) and net amount of YTL 0.08514 (8.514 %) for one ordinary share with the nominal value of YTL 1 so that the gross amount of YTL 24,150,000 (net 20,527,500) will be distributed to the ordinary shares and gross amount of YTL 4,262,475 (net 3,623,103) will be distributed to Group A and B shares and gross amount of YTL 2,840,040 (net 2,414,034) will be distributed to the founding shares.

Report of Board of Auditors

Company's

* Title

ÜLKER GIDA SANAYİ VE TİCARET A.Ş.

* Principal Office

İSTANBUL

* Capital

YTL 241,087,000

* Field of Activity

Production of biscuits, chocolate coated products and waffles

Names and surnames of auditor(s), terms of offices, whether they are shareholders or personnel of company

Ataman YILDIZ, Nurettin AZİZ, Hilmi DURMAZ

Their term of office is 1 year.

The auditors are neither shareholders nor personnel of company.

Number of Board of Directors meetings participated and Board of Auditors meetings held

Participated in Board of Directors meetings for 5 times and Board of Auditors meetings were held every month in 2006.

Scope, dates and conclusion of review conducted on the shareholder accounts, books and documents

The accounts, books and documents of company were duly reviewed at the end of every month and it has been revealed that the essential books have been kept and the company has complied with the provisions of Articles of Incorporation and Turkish Commercial Law in keeping the books.

Dates and results of counts at company pay desk as per item 4 of par. 1 of Art. 353 of Turkish Commercial Law

The pay desk of company was audited at the end of every month in 2006 and it has been revealed that the counts are in compliance with the cash accounts.

Dates and results of reviews as per item 4 of par. 1 of Art. 353 of Turkish Commercial Law

The essential reviews were conducted at the end of every month and the securities and negotiable instruments have been revealed in accordance with the records and other duties assigned to the auditors in the other paragraphs of the same article have been fulfilled.

Complaints and corruptions received and the related actions taken

We have not received any written or verbal complaint and corruption during our term of office.

We have reviewed the accounts and transactions of ÜLKER GIDA SANAYİ VE TİCARET A.Ş. for period 01/01/2006 - 31/12/2006 in compliance with the Turkish Commercial Law, Articles of Incorporation and generally accepted accountancy principles and standards under the other relevant legislation.

In our opinion, the annexed balance sheet dated 31/12/2006, which we have recognized the contents, reflects the financial status of the cited company while the income statement for 01/01/2006 - 31/12/2006 reflects the results of activities in the mentioned period accurately and correctly, and the profit is in compliance with the laws and articles of incorporation for partnership before the distribution of profit.

In conclusion, we hereby kindly request you to consider and vote for approving the balance sheet and income statement and discharging the Board of Directors.

Auditor

Ataman YILDIZ



Auditor

Nurettin ALİZ



Auditor

Hilmi DURMAZ



Corporate Governance Principles Compliance Report

1. Declaration of Compliance with the Corporate Governance Principles

Our Company takes utmost care to implement the principles laid down in Corporate Governance Principles published by the Capital Markets Board. Please find below the evaluations and findings of our Company in respect of level of compliance with the Corporate Governance Principles as well as its opinions to improve the level of compliance in terms of scope and nature.

SECTION I - SHAREHOLDERS

2. Relations with Shareholders Unit

Relations with the shareholders are undertaken by SPK-IFRS Specialist Erdal Atak who reports to the Department of Financial Affairs and Yıldız Holding Capital Markets Coordinator Semih Atalay. The said persons not only reply to the applications in writing or via Internet by our shareholders, but also ensure written correspondences with ISE, SPK, MKK and Takasbank.

3. Exercise of Information Acquisition Rights by Shareholders

The written or verbal information requests sent by our shareholders in the period have been answered except for the information that is not characterized as business secrets or that is not publicized. All information required to be able to exercise the shareholding rights is provided for our shareholders in our annual activity reports, special case explanations and through individual requests. Furthermore, the required information is made available to our shareholders at www.ulker.com.tr/ulkerportal/kurumsal/yatirimci_iliskileri/ulker/ in general sense.

4. General Meeting Information

The ordinary general meeting 2005 that was held on 25.04.2006 was the only general meeting held in 2006. The said meeting was held with the participation of our shareholders representing approximately 50.5% of the paid-in capital at the amount of YTL 241 million. The interest parties and media did not participate in the meeting.

The invitation to meeting containing the place, date, time, agenda of meeting and form of power of attorney was made through announcement in Turkish Trade Registry Gazette No. 6530 dd. 7 April 2006 and editions dd. 6 April 2006 of Dünya and Referans newspapers that are published on daily basis and via Internet and also by sending registered & prepaid letter to the shareholders issued to name in a way to include the agenda as stipulated in the law and articles of incorporation.

The financial statements and report including the annual activity report, recommendation for distribution of profit, information document prepared in relation to the items of agenda of general meeting needed and other documents constituting basis for the items of agenda as well as the latest version of the articles of incorporation and the amendment text and grounds thereof if any amendment is envisaged in the articles of incorporation are made available to our shareholders for review at the principal office and branches of our Company as from the date of announcement for invitation to the general meeting.

5. Voting Rights and Minority Rights Every share has one voting right as per our articles of incorporation.

Capital of our Company consists of Group (A), (B), (C) and (D) shares, and four Members of Board of Directors can be elected among the candidates to be designated by the absolute majority of the Group (A) shareholders, and one member can be elected among the candidates to be designated by absolute majority of Group (D) shareholders and the other shareholder can be elected among the candidates to be designated according to the general provisions. There is not any mutual affiliate relationship between any of our shareholders and our Company.

There are not provisions that prevent voting by proxy as the representative of shareholders not present in our articles of incorporation.

6. Profit Distribution Policy and Profit

Corporate Governance Principles Compliance Report

Distribution Time

Within the scope of the Corporate Governance Principles set forth by SPK, our Board of Directors has adopted a profit distribution policy as mentioned herein below as the profit distribution policy to be proposed to the General Meetings. Accordingly;

Our Company has adopted the principle of determining the amount of dividend, being not less than the rate and amount fixed by the Capital Market Board, and distributing it within the legal periods designated by SPK according to the resolution taken in the General Meeting within the framework of Turkish Commercial Law, SPK provisions and provisions laid down in our Articles of Incorporation.

The profit distribution proposals made by our Board of Directors in the general meeting are determined in view of the sensitive balance between the expectations of our shareholders and the requirement of our Company to grow in consideration of the existing condition of the country economy and sector of our Company.

The principle of distributing the dividends in cash and/or as free shares, and the shares A and B and founder shares are privileged to have shares from the profit at the rates laid down in our articles of incorporation. Furthermore, there is the practice of paying worthiness bonus to our employees according their performance according to our articles of incorporation.

And again, there is a provision regarding payment of advance dividend in our articles of incorporation, but this method has not been exercised so far.

7. Transfer of Shares

There are provisions regarding transfer of shares written to names in Article 10 of our articles of incorporation. According to the said article, the shares written to names can be transferred in principle. The transfer shall be effective as from delivery of share to the transferee and registration into the transfer of share. The Company may denounce from registering the transfer into the share book without indicating any grounds.

SECTION II - PUBLIC INFORMATION AND TRANSPARENCY

8. Company Information Policy

It is adopted as the basic principle to make available any information that is already publicized, to the relevant person in the shortest time possible upon request. In addition, if the shareholders request any information, SPK-IFRS Specialist Erdal Atak who reports to the Department of Financial Affairs and Yıldız Holding Capital Markets Coordinator Semih Atalay informs in writing or verbally. In the event of developments of importance requiring publicizing within the year, the necessary special case explanations are made in a timely manner. Our annual activity report is prepared in detail to ensure public to access to any information regarding the activities of Company.

9. Special Case Announcements

42 special case announcements were made in 2006 by our Company pursuant to the SPK regulations. No further explanation was requested by SPK in reference to the special case announcements made by our Company. There are no special case announcements not made in due time by our Company.

10. The Company Web Site and its Content

All data related to informing the shareholders in relation to our Company are available at www.ulker.com.tr. The web site contains the particulars of our Company, latest edition of articles of incorporation, special case announcements, annual activity reports, periodic financial statements and report, agendas regarding general meetings, schedules of participants, minutes and form of exercising votes by proxy.

11. Declaration of Final Sovereign Shareholder(s) Acting as Real Persons

Our Company does not have any final sovereign shareholder acting as a real person. Our shareholding structure is given in our annual activity report.

12. Publicizing the Persons with the Internal Information

Any kind of essential precaution has been taken to prevent use of information learnt internally and the executives of our Company that can access to information in a way to affect the value of capital market instruments as well as the other persons/ corporations that it procures services are given in the annual activity report.

SECTION III - INTEREST PARTIES

13. Informing the Interest Parties

In the events that the rights of the interest parties are not regulated in legislation or contract, the interests of the interest parties shall be protected within the framework of the rules of goodwill and by observing the prestige of Company to the extent permitted by the possibilities of Company.

14. Participation of Interest Parties in Management

Board of Directors consists of 6 members as per our articles of incorporation and these members are elected upon recommendation of various shareholders according to the provisions laid down in the articles of incorporation.

15. Human Resources Policy

The basic policy of human resources is to establish a team with high performance with the improvement and development efforts for the human resources on the basis of the things carried out so far.

The human resources policy adopted by our Company is generally the policy adopted by Ülker Group of Companies and these policies are available at www.ulker.com.tr.

16. Information Regarding Relations with Customers and Suppliers

Our Company observes continuity of service quality and standard at all stages of production. Utmost care is taken for confidentiality of information of customers and suppliers within the scope of business secrets.

17. Social Responsibility

The social responsibility activities of Ülker Group of Companies that our Company acts under are given in our annual activity report and also available at www.Ülker.com.tr.

SECTION IV - BOARD OF DIRECTORS

18. Structure and Formation of Board of Directors and Independent Members

Please find below particulars of our Members of Board of Directors and Managing Director:

Name - Surname	Title
Murat ÜLKER	Chairman of Board
Orhan ÖZOKUR	Vice Chairman of Board
Ali ÜLKER	Member of Board
Necdet BUZBAŞ	Member of Board
Mahmut Mahir KUŞCULU	Member of Board
Cengiz SOLAKOĞLU	Member of Board
Cafer FINDIKOĞLU	General Manager

19. Qualifications of Members of Board of Directors

The minimum qualifications required for election as members of Board of Directors match with the qualifications set forth in Articles 3.1.1., 3.1.2 and 3.1.5 of Section IV of SPK Corporate Governance Principles. There is a separate provision regarding the minimum qualifications required for election of members in our articles of incorporation. Our Board of Directors consists of 6 members and this number ensures efficient organization of the activities of Board of Directors.

20. Mission, Vision and Strategic Targets of Company

Our Company and all companies of Ülker Group of Companies have been founded with “the belief that every person is entitle to have a nice childhood no matter which country s/he may live”. Ülker brand was founded with the dream of achieving this vision 62 years ago. This dream signed the way that we have to follow and emerged from the target of presenting all products that the children have in developed

Corporate Governance Principles Compliance Report

nations to the Turkish people and then to the whole world. With the accessibility of our products at all times, we always continue with investing what we earn to our business and being a brand that is full of innovations with the strategy of big happiness resulting in big difference. It is among our main targets that our name is called with the concepts of taste, health and nutrition in the memory of society. The vision and mission of Ülker Group of Companies are available at www.ulker.com.tr.

21. Risk Management and Internal Control Mechanism

Activities regarding risk management are carried out by the Committee in Charge of Audit within the scope of Internal Control Regulation. Furthermore, our Company is regularly audited by the audit units and independent audit body of Yildiz Holding A.Ş., the main partner of our Company. They submit the findings of these audits to the Members of Committee in Charge of Audit and other Members of Board of Directors. Business flows, procedures, powers and responsibilities of our employees have been taken under control and have been subjected to a constant supervision within the framework of risk management.

22. Powers and Responsibilities of Members of Board of Directors and Executives

The powers and responsibilities of the Members of Board of Directors and Executives are clearly set forth in the Articles of Incorporation available at www.ulker.com.tr. Our Board of Directors exercises with all information needed, prudently and within the framework of rules of goodwill to ensure fulfillment of their duties completely.

23. Principles of Activity of Board of Directors

Our Board of Directors held 25 meetings in 2006. Utmost care is taken to determine the date of meeting to allow all members to attend to the meeting. Our Board of Directors meets at least once a month regularly and as pre-scheduled and irrespective of this period of time in cases where it is deemed necessary.

24. Non-Transaction and Non-Competition with Company

Our Members of Board of Directors do not have

any transaction or activity that may be within the scope of prohibition of transaction and competition with our Company, hence, requiring permission from the general meeting.

25. Ethic Rules

We, Ülker Gıda, are the member of a group of companies that has produced quality and healthy goods, and that is reverent to the employees, and that protects the rights of shareholders, suppliers and customers, and that is committed to law, and that attaches importance to the values of society, and that bears social responsibility, and that has adopted the principles of management based on highest level of love and respect cooperation, high working performance, honesty, consistence, respect, confidence and responsibility among the executives- employees- suppliers- customers, and that tries to improve these principles.

The ethic rules adopted by Ülker Group of Companies are implemented at all group companies in general and these ethic rules covering our Company as well are available at www.ulker.com.tr for our shareholders.

26. Number, Composition and Independence of Committees at Board of Directors

Mr. Necdet Buzbaş and Mr. Mahmut Mahir Kuşçulu have been assigned as the members of committee in charge of audit as per Communiqué Serial: X, No: 22 of SPK within our Board of Directors.

27. Financial Rights Vested to Board of Directors

The wages of the Members of Board of Directors are determined separately for each of them according to the financial condition of the Company by the general meeting. It has been resolved to pay monthly gross wage at the amount of wage minimum for 1 month on the date when the wage accrues for each of the Members of Board of Directors in 2006 pursuant to the resolution taken in the General Meeting.

Independent Auditors' Report

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries
Convenience Translation of Report and Financial Statements Originally Issued in Turkish
Independent Auditors' Report

**To the Board of Directors of
Ülker Gıda Sanayi ve Ticaret A.Ş.**

We have audited the accompanying consolidated financial statements of Ülker Gıda Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (together the "Group") comprising the consolidated balance sheet as of 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. 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 Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

The full-scope audit of the consolidated financial statements as of 31 December 2005 of the Group have been solely performed by an another independent audit firm which has expressed an unqualified opinion on 30 March 2006 on the consolidated financial statements of the Group.

Ülker Gıda San. ve Tic. Anonim Şirketi And Its Subsidiaries
Convenience Translation of Report and Financial Statements Originally Issued in Turkish
Independent Auditors' Report

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Ülker Gıda Sanayi ve Ticaret A.Ş. and its subsidiaries as of 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting standards determined by the Capital Markets Board.

Without further qualifying our opinion, we want to draw attention to the following facts:

As described in Notes 2, 17 and 26, the positive goodwill amounting to TRY 115.705.451 and negative goodwill amounting to TRY 620,567 are written off from assets as of 1 January 2006 and recorded under capital-investment elimination account due to the fact that, such balances have resulted from the acquisitions of entities under common control. Additionally, an incorrect journalization of an equity pick up adjustment amounting to TRY 18,538,641 has been corrected by a reverse entry to revaluation fund of investments and opening retained earnings.

İstanbul, 13 April 2007

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

Member of DELOITTE TOUCHE TOHMATSU



Ömer Tanrıöver
Partner

Ülker Gıda San. ve Tic. Anonim Şirketi And Its Subsidiaries

Consolidated Balance Sheets as of 31 December 2006 and 31 December 2005

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

ASSETS	Notes	31 December 2006	31 December 2005
Current Assets		522,004,406	771,303,921
Cash and Cash Equivalents	4	26,425,571	179,545,696
Investments (net)	5	517,901	7,589,463
Trade Receivables (net)	7	107,499,062	215,289,304
Finance Lease Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	293,599,954	210,449,076
Other Receivables (net)	10	2,478,425	12,990,004
Biological Assets (net)	11	-	-
Inventories (net)	12	85,091,699	131,564,869
Receivables from Ongoing Construction Agreements (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	6,391,794	13,875,509
Non-Current Assets		491,345,899	487,761,859
Trade Receivables (net)	7	45,250	45,302
Finance Lease Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	210,238,950	58,541,027
Positive/(Negative) Goodwill (net)	17	-	115,084,884
Investment Properties (net)	18	-	-
Tangible Assets (net)	19	276,377,977	309,783,647
Intangible Assets (net)	20	3,370,564	4,300,410
Deferred Tax Assets	14	1,313,158	-
Other Non Current Assets	15	-	6,589
TOTAL ASSETS		1,013,350,305	1,259,065,780

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

Ülker Gıda San. ve Tic. Anonim Şirketi And Its Subsidiaries

Consolidated Balance Sheets as of 31 December 2006 and 31 December 2005

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

LIABILITIES	Notes	31 December 2006	31 December 2005
Current Liabilities		329,051,475	576,674,851
Bank Loans (net)	6	156,113,177	262,268,819
Current Portion of Long Term Loans (net)	6	9,416,679	-
Obligations Under Finance Leases (net)	8	21,112,329	40,744,650
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	48,610,942	56,948,257
Due to Related Parties (net)	9	67,159,115	193,127,604
Advances Received	21	4,534,709	3,862,867
Progress Payments from Ongoing Construction Contracts (net)	13	-	-
Provisions for Debts	23	10,393,069	9,741,784
Other Liabilities (net)	15	11,711,455	9,980,870
Non-Current Liabilities		110,678,287	85,533,713
Bank Loans (net)	6	77,308,000	11,112,500
Finance Lease Payables (net)	8	1,361,788	20,799,785
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	-	-
Due to Related Parties (net)	9	3,097,758	-
Advances Received	21	-	-
Provisions for Debts	23	5,212,018	5,862,501
Deferred Tax Liabilities	14	23,698,723	47,676,000
Other Liabilities (net)	15	-	82,927
Minority Interest	24	37,643,942	42,369,727
SHAREHOLDERS' EQUITY		535,976,601	554,487,489
Capital	25	241,087,000	241,087,000
Capital-Investment Elimination (-)	25	(115,084,884)	-
Capital Reserves	26	204,040,364	158,478,250
Premium in Excess of Par		-	-
Gain on Cancellation of Equity Shares		-	-
Revaluation Fund		-	7,896,188
Revaluation Fund of Financial Assets		57,775,899	4,317,597
Inflation Adjustment of Equity Items		146,264,465	146,264,465
Profit Reserves	27	69,536,005	52,939,219
Legal Reserves		11,589,950	7,889,131
Statutory Reserves		3,858,862	3,858,862
Extraordinary Reserves		27,450,225	14,554,258
Special Reserves		-	-
Gain from Sale of Tangible Assets and Equity		-	-
Participations' Shares Transferable to Capital		26,636,968	26,636,968
Foreign Currency Translation Adjustments		-	-
Net Profit/(Loss) for the Period		88,830,435	66,226,253
Retained Earnings/(Accumulated Deficits)	28	47,567,681	35,756,767
TOTAL EQUITY AND LIABILITIES		1,013,350,305	1,259,065,780

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

Ülker Gıda San. ve Tic. Anonim Şirketi And Its Subsidiaries

Consolidated Statements of Income for the Years Ended 31 December 2006 and 31 December 2005

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

	Notes	1 January – 31 December 2006	1 January – 31 December 2005
OPERATING INCOME			
Sales Income (net)	36	1,789,230,007	1,358,889,410
Cost of Sales (-)	36	(1,427,176,899)	(1,054,019,733)
Other Operating Income/ interest + dividend + rent (net)	36	-	-
Gross Profit		362,053,108	304,869,677
Operating Expenses (-)	37	(270,642,434)	(205,197,866)
Net Operating Profit		91,410,674	99,671,811
Other Operating Income and Profits	38	135,270,397	100,179,821
Other Operating Expense and Losses (-)	38	(98,446,972)	(42,203,562)
Finance Income/(Expense) (net)	39	(38,906,506)	(44,373,978)
Operating Profit		89,327,593	113,274,092
Net Monetary Gain/(Loss)	40	-	-
Minority interest		(525,937)	(14,294,634)
Profit Before Taxation		88,801,656	98,979,458
Taxation	41	28,779	(32,753,205)
Net Profit/(Loss) For The Period		88,830,435	66,226,253
Earnings Per Share	42	0.37	0.28

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

Ülker Gıda San. ve Tic. Anonim Şirketi And Its Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended

31 December 2006 and 31 December 2005

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

	Share Capital	Capital- Investment Elimination	Fair Value Revaluation Reserves	Inflation Adjustment of Equity Items	Revaluation Fund of Investments	Legal Reserves	Extraordinary Reserves	transferred to share capital	Other Reserves	Net Period Profit	Accumulated Profit/ (Losses)	Total
Balances as of 1 January 2005	238,700,000	-	6,997,243	146,530,401	7,896,188	4,523,966	4,565,507	-	-	55,646,845	20,662,438	485,522,588
Transfers to retained earnings	2,296,343	-	-	-	-	-	(173,393)	-	-	(55,646,845)	53,523,895	-
Transfers to reserves	-	-	-	-	-	3,365,165	10,162,144	-	-	-	(13,527,309)	-
Change in the fair value of available for sale assets	-	-	(2,679,646)	-	-	-	-	-	-	-	-	(2,679,646)
Sale of subsidiaries	-	-	-	(265,936)	-	-	-	-	-	-	194,242	(71,694)
Profit on sales of fixed assets	90,657	-	-	-	-	-	-	26,636,968	3,858,862	-	-	30,586,487
Dividend paid	-	-	-	-	-	-	-	-	-	-	(25,882,000)	(25,882,000)
Other movements (*)	-	-	-	-	-	-	-	-	-	-	785,501	785,501
Net profit for the year	-	-	-	-	-	-	-	-	-	66,226,253	-	66,226,253
Balance as of 31 December 2005	241,087,000	-	4,317,597	146,264,465	7,896,188	7,889,131	14,554,258	26,636,968	3,858,862	66,226,253	35,756,767	554,487,489
As previously reported as of												
31 December 2005	241,087,000	-	4,317,597	146,264,465	7,896,188	7,889,131	14,554,258	26,636,968	3,858,862	66,226,253	35,756,767	554,487,489
Adjustment Effect (Notes 2, 17 and 26)	-	(115,084,884)	-	-	(7,896,188)	-	-	-	-	-	(10,642,453)	(133,623,525)
Restated balance as of 1 January 2006	241,087,000	(115,084,884)	4,317,597	146,264,465	-	7,889,131	14,554,258	26,636,968	3,858,862	66,226,253	(25,114,314)	420,863,964
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	(66,226,253)	66,226,253	-
Transfer to reserves	-	-	-	-	-	3,700,819	12,895,967	-	-	-	(16,596,786)	-
Change in the fair value of available for sale assets	-	-	53,458,302	-	-	-	-	-	-	-	-	53,458,302
Dividends paid	-	-	-	-	-	-	-	-	-	-	(27,176,100)	(27,176,100)
Net profit for the year	-	-	-	-	-	-	-	-	-	88,830,435	-	88,830,435
Balances as of 31 December 2006	241,087,000	(115,084,884)	57,775,899	146,264,465	-	11,589,950	27,450,225	26,636,968	3,858,862	88,830,435	47,567,681	535,976,601

Other (*): Tax provision calculated in independent audit report of 31 December 2004 was based on provisions derived from Prepaid Tax Returns of the group companies. Total amount of corporation tax is TRY 785,501 less than tax liabilities of all group companies.

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

Ülker Gıda San. ve Tic. Anonim Şirketi And Its Subsidiaries

Consolidated Statements of Cash Flows for the Years Ended 31 December 2006 and 31 December 2005

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

	Notes	1 January – 31 December 2006	1 January – 31 December 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) for the period		88,830,435	66,226,253
Adjustments to reconcile net profit/(loss) to net cash provided by operating activities			
- Depreciation of property, plant and equipment	19	25,904,705	27,628,074
- Amortization of intangible assets	20	2,851,317	4,016,536
- Change in allowance for doubtful receivables	7,10	10,601,356	2,414,627
- Amortization of goodwill		-	7,452,924
- Impairment of fixed assets	19	9,381,159	-
- Change in retirement pay provision	23	1,136,159	1,441,740
- Adjustment of minority share	24	525,937	14,294,634
- Interest accrual	39	25,089,321	25,918,119
- Profit on sale of property, plant and equipment	38	(3,425,075)	1,087,137
- (Profit)/loss on disposal of subsidiaries		(4,125,827)	2,305,791
- Profit on sales of associates	38	(5,301,507)	-
- Equity pick-up income recognized	38	(4,762,475)	(4,156,240)
- Provision for litigations	31	1,635,091	-
- Deferred tax (benefit)/charge for the period	41	(28,779)	32,753,205
Operating cash flow provided before changes in working capital		148,311,817	181,382,800
- Change in trade receivables		(17,388,536)	(67,722,535)
- Change in inventories		(38,782,468)	60,783,399
- Change in receivables from related parties		(119,346,115)	(106,397,609)
- Change in other receivables and current assets (net)		798,942	9,940,462
- Change in trade payables		(1,605,639)	(33,129,571)
- Change in payables to related parties		124,235,884	84,532,719
- Changes in advances received		671,842	(761,612)
- Change in other payables and current liabilities (net)		3,780,402	(5,210,766)
Cash generated from operations		100,676,129	123,417,287
- Taxes paid	23	(30,287,872)	(28,798,440)
- Retirement benefits paid	23	(1,412,874)	(887,770)
- Collections from doubtful receivables	7	354,300	198,320
- Interests paid		(19,493,585)	(21,600,952)
Net cash provided by operating activities		49,836,098	72,328,445
CASH FLOWS FROM INVESTING ACTIVITIES			
- Acquisitions of tangible assets	19	(26,473,778)	(56,209,059)
- Acquisitions of intangible assets	20	(2,960,124)	(2,914,996)
- Proceeds from sales of tangible assets	19	27,637,396	55,296,472
- Minority interest change due to disposal of subsidiaries		(241,687)	(8,543,294)
- Changes in held for trading financial assets	5	7,071,562	40,533,541
- Change in financial assets	16	(103,675,832)	(440,854)
- Changes in other investing activities		2,998,863	(1,626,836)
Net cash used in investing activities		(95,643,600)	26,094,974
CASH FLOWS FROM FINANCING ACTIVITIES			
- New loans raised		276,715,117	248,673,695
- Repayment of borrowings		(312,529,600)	(250,285,303)
- Increase in capital		-	90,657
- Dividends paid		(27,176,100)	(25,882,000)
- Changes in minority interests (net)	24	(5,251,722)	(8,574,589)
- Change in finance lease payables	8	(39,070,318)	12,900,669
Net cash provided by financing activities		(107,312,623)	(23,076,871)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(153,120,125)	75,346,548
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	179,545,696	104,199,148
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	26,425,571	179,545,696

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

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Organization and Shareholders:

Ülker Gıda Sanayi ve Ticaret A.Ş. Group ("the Group") comprises of the parent Ülker Gıda Sanayi ve Ticaret A.Ş. ("the Company"), eight subsidiaries, two joint ventures, and one associate in which the Company owns the majority share of the capital or which are controlled by the Company.

Ülker Gıda Sanayi ve Ticaret Anonim Şirketi, was established in 1944 and was transformed to a corporation in 1970. The Company's core business activities are manufacturing of biscuits, chocolate coated biscuits and wafers. The Company is located in Davutpaşa Cad. No:10 Topkapı Zeytinburnu/İstanbul.

Ülker Gıda ve Ticaret Anonim Şirketi, which is registered by Capital Market Board, merged under its own title with Anadolu Gıda Sanayi A.Ş., whose shares have been quoted on İstanbul Stock Exchange since 30 October 1996, as of 31 December 2003. The total number of people employed by the Group is 4,182 which contains 1,713 employees who worked as subcontractors. (31 December 2005: 3,683, subcontractor: 1,353)

As of 31 December 2006 and 31 December 2005, the names and percentages of the shareholders owning more than 10% of the Company's share capital are as follows:

Name	31 December 2006		31 December 2005
	TRY Amount	Percentage	Percentage
Yıldız Holding A.Ş.	103,726,151	43.02%	43.02%
BNP Paribas (Suisse) SA (*)	64,058,623	26.57%	26.57%
Other	73,302,226	30.41%	30.41%
	241,087,000	100.00%	100.00%

(*) United European Bank Dynamic Growth Fund, one of the shareholders of the company, was taken over by its main shareholder BNP Paribas (Suisse) SA as of 2 October 2006, and the name of the fund was changed as BNP Paribas (Suisse) SA.

21.78% of the shares owned by the United European Bank Dynamic Growth Fund represents non-public shares, whereas 4.79% portion of those shares is traded in stock exchange.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

Consolidated Subsidiaries, Associates and Joint Ventures

As of 31 December 2006 and 31 December 2005, the nature of operations and total capital shares (direct and indirect) of the subsidiaries ("Subsidiaries") which are included in consolidation are as follows:

Subsidiaries	31 December 2006		31 December 2005		Nature of Operations
	Ratio of direct ownership %	Ratio of effective ownership %	Ratio of direct ownership %	Ratio of effective ownership %	
İdeal Gıda Sanayi ve Ticaret A.Ş.	97.5%	97.9%	97.5%	97.9%	Manufacturing
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.	50.5%	50.8%	50.5%	50.8%	Manufacturing
İstanbul Gıda Dış Ticaret A.Ş.	83.8%	83.8%	83.8%	83.8%	Sales & Marketing
Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş.	73.5%	73.5%	73.5%	73.5%	Sales & Marketing
Birleşik Dış Ticaret A.Ş.	68.0%	69.0%	68.0%	69.0%	Sales & Marketing
Birlik Pazarlama Sanayi ve Ticaret A.Ş.	99.0%	99.0%	99.0%	99.0%	Manufacturing
Atlantik Gıda Pazarlama ve Ticaret A.Ş. (*)	-	-	-	14.7%	Sales & Marketing
Anadolu Gıda A.Ş.	-	50.4%	-	-	Manufacturing

(*) In the Extraordinary General Assembly Meeting dated 22 November 2006 of Atlantik Gıda Pazarlama ve Ticaret A.Ş., Article 6 of this company's Articles of Association was changed and this company's capital was decided to be increased from TRY 100,000 to TRY 35,000,000. It was also decided that this increase would be by Üstün Gıda Sanayi ve Ticaret A.Ş. in cash. After this capital increase, the share of Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş., 73.5% of which the Company owns, decreased to 0.057% in capital. At the same time, the control right which was transferred by Yıldız Holding A.Ş. and Üstün Gıda Sanayi ve Ticaret A.Ş. to the Company has ended as of the same date. Consequently, Atlantik Gıda Pazarlama ve Ticaret A.Ş. is excluded from the scope of the consolidation as of 30 November 2006.

İdeal Gıda Sanayi ve Ticaret A.Ş. and Biskot Bisküvi Gıda San. ve Tic. A.Ş. manufacture and sell similar products with those of Ülker Gıda Sanayi ve Ticaret A.Ş. On the other hand İstanbul Gıda Dış Ticaret A.Ş., Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş., Atlantik Gıda Pazarlama A.Ş. and Birleşik Dış Ticaret A.Ş. are involved in domestic and international sales and marketing of products of the above mentioned companies and other food products purchased from the domestic market. Birlik Pazarlama Sanayi ve Tic. A.Ş. provides raw materials to manufacturing companies.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

The associates and joint ventures of Ülker Gıda Sanayi ve Ticaret A.Ş. which are accounted for under equity method in consolidation are as follows:

Joint Ventures	31 December 2006		31 December 2005		Nature of Operations
	Ratio of direct ownership %	Ratio of effective ownership %	Ratio of direct ownership %	Ratio of effective ownership %	
Pendik Nişasta Sanayi ve Ticaret A.Ş.	23.0%	24.0%	23.0%	24.0%	Manufacturing
Hero Gıda Sanayi ve Ticaret A.Ş.	-	39.6%	-	39.6%	Manufacturing

Associates	31 December 2006		31 December 2005		Nature of Operations
	Ratio of direct ownership %	Ratio of effective ownership %	Ratio of direct ownership %	Ratio of effective ownership %	
Sağlam GMYO A.Ş.	21.4%	21.4%	-	-	Investment property

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting standards applied:

On 15 November 2003, the Turkish Capital Market Board ("CMB") issued a detailed accounting principles set with Communiqué No: XI/25 "Capital Markets Accounting Standards". This communiqué is applicable starting from the first interim financial statements after 1 January 2005.

The Group maintains its books of account and prepares its statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation (collectively, "Turkish Practices"). The accompanying financial statements are based on the statutory records denominated in New Turkish Lira (TRY) with adjustments and reclassifications made for the purpose of fair presentation in accordance with Communiqué No: XI/25.

The accompanying financial statements have been prepared in accordance with the provisions of the Communiqué No: XI/25 "Capital Markets Accounting Standards" of the Capital Market Board.

Preparation of Financial Statements in Hyperinflationary Periods:

Pursuant to the CMB resolution dated 17 March 2005 numbered 11/367, in accordance with Communiqué No: 20 of series XI, Financial Reporting in Hyperinflationary Economies item 6 and Communiqué No: 25 of Series XI, Communiqué on Capital Market Accounting Standards item 375, the Turkish economy was not considered as hyperinflationary any more, and as such inflation accounting has not been applied since 1 January 2005.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

Consolidation:

The consolidated financial statements incorporate the financial statements of the Group and enterprises controlled by the Group as explained in Note 1. Adjustments are made to eliminate intercompany sales and purchases, intercompany receivables and payables and intercompany equity investments.

Entities in which the Group, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated. All significant transactions and balances between the Group and its consolidated subsidiaries are eliminated on consolidation. In cases where the consolidated entities are not 100% owned, the shareholders' equity and net income, which belong to third party shareholders are separately accounted for as minority interest.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint ventures are accounted for under equity method in the accompanying consolidated financial statements.

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee and it is accounted for under the equity method.

Under the equity method, the net assets of the investee company are carried in the balance sheet and the share of the Group in the investee company's results of operations is recognized in the statement of income. The carrying amount of such investments is reduced to recognize any decline, other than a temporary decline, in the value of individual investments.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Comparative Information and Restatement of Prior Period's Financial Statements:

Consolidated financial statements of the Group have been prepared comparatively to the prior period. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes.

As described in Note 17, the positive goodwill amounting to TRY 115,705,451 and negative goodwill amounting to TRY 620,567 are written off from assets as of 1 January 2006 and recorded under capital-investment elimination account due to the fact that such balances have resulted from the acquisitions of the entities under common control. Additionally, an incorrect journalization of an equity pick up adjustment amounting to TRY 18,538,641 have been corrected by a reverse entry to revaluation fund of investments and opening retained earnings.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

Offsetting:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Revenue Recognition:

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

Sale of goods

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

- The Group transfers to the buyer all the significant risks and rewards of ownership of the goods to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend revenue from investments is recognized when the shareholders' rights to receive payment have been established.

Rental Income

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

b. Inventory:

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

c. Tangible assets:

Tangible assets that are acquired before 1 January 2005 are carried at their restated costs adjusted to the effects of inflation as of 31 December 2004, less any accumulated depreciation and any impairment loss and tangible assets that are acquired after 1 January 2005 are carried at cost of acquisition, less any accumulated depreciation and any impairment loss.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

The expected useful lives for tangible assets are as follows:

	Useful Life
Buildings	25-50 years
Land improvements	10-50 years
Machinery and equipment	4-15 years
Vehicles	4-10 years
Other tangible fixed assets	4-10 years
Furniture and fixtures	3-10 years
Leasehold improvements	5-10 years

Gains or losses on disposals of tangible assets with respect to their restated amounts are included in the related income and expense accounts, as appropriate where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Maintenance expenses for tangible fixed assets are normally charged against income. In cases where they result in an enlargement or substantial improvement of the respective assets, all the cost associated with maintenance, including the interest charges for the period of the relining on any loans specifically taken to finance the repair, are capitalized and subjected to depreciation in accordance with the depreciation policies explained above.

d. Intangible assets:

Intangible assets that are acquired before 1 January 2005 are carried at their restated costs adjusted to the effects of inflation as of 31 December 2004, less any accumulated amortization and any impairment loss and intangible assets that are acquired after 2005 are carried at cost of acquisition, less any accumulated amortization and any impairment loss.

Intangible assets are amortized on a straight-line basis over their estimated useful lives.

	Useful Life
Rights	2-15 years
Other intangible assets	5-12 years
Advertising films	Copyright period

e. Impairment of assets:

All assets other than deferred tax assets and goodwill are tested if there is an indicator of impairment of asset or not for all periods of the balance sheet. If such an indicator exists, recoverable amount of that asset is estimated. On the other hand, recoverable amount of intangible assets that are not suitable for usage, are estimated in each period of the balance sheet. If the book value of these assets or any unit producing cash, belonging to that asset, are higher than their value of use or their net selling prices, than there is an impairment in the value of these assets. The impairment losses are recognized in the income statement.

If the impairment loss of an asset is followed by an increase in its recoverable amount which can be also justified by a related event, the increase in the recoverable amount can be adjusted in the financial statements by a reversal in the recognized impairment loss.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

The adjustment should not exceed the total amount of the recognized impairment loss.

f. Borrowing costs:

Interest expenses directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded in the income statement in the period in which they are incurred.

g. Financial instruments:

All the financial assets are initially carried at their fair values including their purchase cost related to the investment.

After the initial recognition, the Group's held to maturity investments are carried at their amortized costs less any accumulated impairment losses.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at their fair values as of balance sheet dates. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power in the accompanying consolidated financial statements.

Fair value is the amount for which an asset could be exchanged or a liability settled, between willing parties. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists. The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the Group could realize in a current market exchange.

Balances with banks, receivables, contingent liabilities such as letters of guarantee and letters of credit are important financial instruments which could have negative effects on the financial structure of the Group if the other party fails to comply with the terms and conditions of the agreement.

The fair values of certain financial assets carried at cost are considered to be representative of carrying values due to their short-term nature.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

Cash and Cash Equivalents

Cash and bank balances denominated in foreign currencies are translated at period-end exchange rates. The carrying amounts of the remaining cash and bank balances are reasonable estimates of their fair values.

Trade Receivables

Trade receivables, are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized by the Group Management by considering the amount of non-collectable receivables, guarantees taken, previous year experiences and existing economical conditions. Irrecoverable amounts are recognized as loss in the period, in which it is clear that no collection can be regarding to those amounts.

Borrowings

Borrowings have interest rates that are fixed on an entry value basis. However, borrowings at Libor or Euribor plus mark up are subject to fluctuation in accordance with the prevailing interest rates in the market. Interest-bearing bank loans and bank overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and added to the carrying amount of the instrument to the extent they are not settled in the period in which they incurred.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment. The credit risk on liquid funds is limited because the funds are invested in time deposits with banks, government bonds and treasury bills for short-term purposes.

Price risk

The Group is exposed to exchange rate fluctuations between foreign currencies and the Turkish Lira due to the nature of its business. The majority of the Group's imports and exports are in foreign currencies. Certain parts of the interest rates related to borrowings and leasing transactions are based on market interest rates, therefore the Group is exposed to interest rate fluctuations on domestic and international markets.

Liquidity risk

The Group is generally raising funds by liquidating its short-term financial instruments such as collecting its receivables and disposing of marketable securities. The Group's proceedings from these instruments generally approximate their fair values.

h. Business combinations:

Business combinations are defined as combination of two separate legal entities under one reporting entity. The acquisition of businesses is accounted for using the purchase method, in accordance Communiqué No: XI/25, Part 12.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Goodwill arising on acquisition is recognized as an asset and initially measured at cost,

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions are recognized at their fair values at the acquisition date. Goodwill of the acquired company is not recognized as identifiable assets.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

i. Foreign currency transactions:

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

In preparing the financial statements of the individual entities, transactions in foreign currencies (currencies other than TRY foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

i. Earnings per share:

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

j. Events after balance sheet date:

Events after balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the publication date of the balance sheet. Should any evidence about the events that are prior to the balance sheet date or any related events arise subsequent to the balance sheet date, should be explained in the relevant disclosure.

k. Provisions, contingent liabilities, contingent assets:

The Group shall recognize a provision only when it has a present obligation as a result of a past event, and it is probable that the entity will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably. Contingent liabilities are reviewed consistently to determine whether there is a possibility of an outflow of resources embodying economic benefits from the company. For items of contingent liabilities, when a future outflow of resources embodying economic benefits from the company becomes probable, such contingent liabilities, except for the reliable estimate cannot be made, are recognized as a provision in the financial statements attributable to the period in which the change in the outflow of resources embodying economic benefits becomes probable.

The Group, reflects its related liabilities in the notes to the extent that contingent liabilities are probable but there is no reliable assumption on the amount of resources embodying economic benefits.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

A contingent asset is defined as a possible asset that arises 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 entity. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

Changes in accounting policies or determined accounting errors are applied retroactively and the financial statements of the previous year are adjusted. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

m. Financial leases:

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

n. Related parties:

For the purpose of the accompanying financial statements, shareholders of Ülker Gıda San. ve Tic. A.Ş. consolidated and non-consolidated group companies, their directors and any groups to which they are known to be related, are considered and referred to as related.

o. Segmental information:

Since the Group has operations in only one production area, no segmental reporting exist.

p. Government Grants and Incentives:

Investment incentive certificates, which were based on the acquisition of tangible assets subject to depreciation, are revoked commencing from 1 January 2006. However, investment incentives existing as of 31 December 2005, which could not be deducted in the financial year 2005, are carried forward to the financial year 2006 according to 69th Provisional Article of Income Withholding Tax Law, and the investment expenditures made after 1 January 2006, which are economically and technically related to the investments made in accordance with Article 19 of Income Withholding Tax Law commencing before the afore-mentioned date, and expenditures made after 1 January 2006, which were related to the investment incentive certificates obtained prior to 24 April 2003, will be deductible from taxable income of financial years 2006, 2007 and 2008 with in the context of the prevailing Law as of 31 December 2005 in order to preserve the vested rights of the entities.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003 regardless of the appropriation of the profit.

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

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

The government grants are paid to support the participation of attending fairs abroad according to the decision dated 16 December 2004 and numbered 2004/11 of Money Credit and Coordination Committee which was prepared on the basis of "Decisions of Export-oriented Government Grants".

Based on the Cash Loan Coordination Board's resolution dated 20/6, the Group also receives tax refunds for the export of its agricultural products in accordance with the Communiqué No: 2000/5 on 'Export Refunds for Agricultural Products'.

r. Taxation and deferred income taxes:

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

Taxes on income for the year comprise of current tax and the change in deferred taxes. The Group accounts for current and deferred taxation on the results for the period, in accordance with CMB Communiqué No: XI/25.

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

Deferred tax assets and liabilities are recognized using the liability method in respect of material temporary differences arising from different treatment of items for accounting and taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are only provided to the extent if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled and charged or credited in the statement of income.

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

s. Employee benefits/Retirement pay provision:

Benefits such as bonus, allowance for heating, marriage allowance, leave of absence, religious holidays, education incentive, birth and death allowance are provided to the Group employees. Moreover, under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined as net of an expected inflation rate and an appropriate discount rate.

t. Cash flow statement:

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

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

4. CASH AND CASH EQUIVALENTS

As of 31 December 2006 and 31 December 2005 the detail of cash and cash equivalents is as follows:

	31 December 2006	31 December 2005
Cash	53,783	93,290
Demand deposits	16,649,016	101,109,676
Time deposits (*)	9,720,191	78,342,313
Other liquid assets	2,581	417
	26,425,571	179,545,696

(*) Time deposits consist of repurchase agreements amounted as TRY 2,414,167. (31 December 2005: TRY 78,925).

Cash and cash equivalents include bank deposits amounting to TRY 5,576,958 at Türkiye Finans Katılım Bankası A.Ş. which is a related party (31 December 2005: TRY 9,177,652).

The detail of time deposits is as follows:

Currency type	Interest rate (%)	Maturity	31 December 2006
USD	3.02%-5.94%	January 2007	7,230,191
TRY	19.70%	January 2007	2,490,000
			9,720,191

Currency type	Interest Rate (%)	Maturity	31 December 2005
EUR	3.43%	January 2006	238,761
USD	2.04%-3.70%	January 2006	3,749,964
TRY	13.97%-19.50%	January 2006	74,353,588
			78,342,313

5. INVESTMENTS

Financial assets held for trading	31 December 2006	31 December 2005
Equity shares	404,256	251,790
Investment funds	113,645	2,333,358
Treasury bills	-	5,004,315
	517,901	7,589,463

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

6. BANK LOANS

	31 December 2006	31 December 2005
Short-term financial borrowings:		
Short-term bank loans	156,113,177	262,268,819
Current portion of long-term loans	9,416,679	-
	165,529,856	262,268,819
Long-term financial borrowings:		
Long-term portion of long-term loans	77,308,000	11,112,500
	242,837,856	273,381,319

31 December 2006

Currency Type	Maturity	Interest Rate (%)	Short-term	Long-term
USD	January 2007-December 2008	6.54%-6.67%	151,477,785	77,308,000
EUR	March 2007-April 2007	5.72%-6.67%	14,052,071	-
			165,529,856	77,308,000

31 December 2005

Currency Type	Maturity	Interest Rate (%)	Short-term	Long-term
USD	January 2006-September 2006	4.99%-7.03%	253,813,315	-
EUR	April 2006-September 2006	2.25%-7.03%	8,045,260	11,112,500
TRY	Spot	-	410,244	-
			262,268,819	11,112,500

The maturity analysis of financial borrowings is as follows:

	31 December 2006	31 December 2005
In one year	165,529,856	262,268,819
Between one to two years	77,308,000	11,112,500
	242,837,856	273,381,319

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

7. TRADE RECEIVABLES AND TRADE PAYABLES

Short-term Trade Receivables (Net)	31 December 2006	31 December 2005
Trade receivables	118,925,794	220,529,033
Deposits and guarantees given	30,222	2,000
Provision for doubtful trade receivables	(11,456,954)	(5,241,729)
	107,499,062	215,289,304

Trade receivables are disclosed at discounted net realizable value using the effective yield method. Net realizable value has been calculated over discount rate of 20% based on the Group's sales for cash (31 December 2005: %15).

The movement in the provision for doubtful trade receivables in the years 2006 and 2005 is as follows:

	1 January-31 December 2006	1 January-31 December 2005
Opening balance	(5,241,729)	(3,025,422)
Charge for the period	(6,569,525)	(2,414,627)
Collections made during the period	354,300	198,320
Closing balance	(11,456,954)	(5,241,729)

Long-term Trade Receivables	31 December 2006	31 December 2005
Deposits and guarantees given	45,250	22,919
Order advances given	-	22,383
	45,250	45,302

Short-term Trade Payables	31 December 2006	31 December 2005
Trade payables	47,516,792	56,059,019
Deposits and guarantees received	1,094,150	889,238
	48,610,942	56,948,257

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

8. FINANCIAL LEASE RECEIVABLES AND PAYABLES

All financial lease payables are due to Fon Finansal Kiralama A.Ş. which is a related party.

a) The detail of short-term financial lease payables is as follows:

Short-term Financial Lease Payables	31 December 2006	31 December 2005
Financial lease payables	22,820,163	45,416,456
Future finance charges (-)	(1,707,834)	(4,671,806)
	21,112,329	40,744,650

b) The detail of long-term financial lease payables is as follows:

Long-term Financial Lease Payables	31 December 2006	31 December 2005
Financial lease payables	2,659,330	21,974,076
Future finance charges (-)	(1,297,542)	(1,174,291)
	1,361,788	20,799,785

As of 31 December 2006, the maturity detail of the financial lease payables is as follows:

	Less than 1 year	Between 1-5 years
Financial lease payables	22,820,163	2,659,330
Future finance charges (-)	(1,707,834)	(1,297,542)
	21,112,329	1,361,788

As of 31 December 2005, the maturity detail of the financial lease payables is as follows:

	Less than 1 year	Between 1-5 years
Financial lease payables	45,416,456	21,974,076
Future finance charges (-)	(4,671,806)	(1,174,291)
	40,744,650	20,799,785

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) The detail of receivables from related parties is as follows:

	31 December 2006	31 December 2005
Receivables from personel	93,021	52,446
Trade receivables	133,148,668	157,203,226
Non-trade receivables	160,358,265	53,193,404
	293,599,954	210,449,076

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

Non-trade receivables are loans given to related parties, and interest is received as quarterly based on effective market interest rate. The interest rate used in 2006 is 20% (2005: 15%).

	31 December 2006		31 December 2005	
	Trade	Non-trade	Trade	Non-trade
Yıldız Holding A.Ş.	-	148,337,266	30,698,429	36,147,091
Atlantik Gıda Paz. ve Tic. A.Ş.	38,884,181	-	-	-
Rekor Gıda Paz. A.Ş.	20,366,370	3,067	22,057,949	3,987
Esas Pazarlama A.Ş.	20,309,603	-	507,170	725
Üstün Gıda San. ve Tic. A.Ş.	5,984,965	10,560,955	31,669,953	7,866,099
Merkez Gıda Paz. A.Ş.	9,462,307	-	2,332,156	165,441
Hero Gıda A.Ş.	6,938,246	332,482	6,186,470	236,793
Bizim Toplu Tük. Paz. Tic. A.Ş.	7,144,246	-	9,498,686	3,462
Mavi Yeşil Ltd. Şti.	6,444,399	-	4,722,864	-
Gf Lovell Deutschland GmbH	6,338,877	-	-	-
Natura Gıda A.Ş.	4,411,188	37	55,603	8,051,288
KBF Ltd.	2,709,096	-	-	-
Ak Gıda A.Ş.	1,243,408	-	8,775,751	-
Baycan Çiklet A.Ş.	1,041,035	6,286	38,059	3,741
Fresh Cake Gıda A.Ş.	980,692	8,932	7,117,706	5,782
Türkiye Finans Katılım Bankası	-	731,301	-	685,831
Pasifik Gıda A.Ş.	235,604	-	-	-
Topkapı Makine A.Ş.	7,398	204,180	201	-
Netlog Lojistik Hizmetleri A.Ş.	151,746	-	112,451	-
Seher Gıda A.Ş.	125,714	-	105,453	-
Örgen Gıda San. Tic. Ltd. Şti.	123,470	-	511	-
Eksper A.Ş.	87,606	-	405,180	-
Tek Özel Gıda A.Ş.	72,486	-	-	-
Datateknik Bilgisayar A.Ş.	-	47,500	5,820	-
Besler Gıda A.Ş.	7,276	-	9,155,652	-
Fon Finansal Kiralama A.Ş.	-	5,659	514,475	-
Pakyağ A.Ş.	4,765	-	51,985	25
Ekol Otomotiv A.Ş.	4,561	-	896,500	-
Önem Gıda A.Ş.	294	-	22,148,303	-
Pri-Pack Amb. A.Ş.	-	-	75,618	-
Other related parties	69,135	120,600	70,281	23,139
	133,148,668	160,358,265	157,203,226	53,193,404

In addition to the balances above, there are bank deposits amounting to TRY 5,576,958 at Türkiye Finans Katılım Bankası A.Ş. (31 December 2005: TRY 9,177,652).

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

b) The detail of payables to related parties is as follows:

	31 December 2006	31 December 2005
Short-term borrowings		
Payables to personnel	583,631	1,222,418
Trade payables	59,805,863	189,452,613
Non-trade payables	6,769,621	2,452,573
	67,159,115	193,127,604
Long-term borrowings		
Trade payables (*)	3,097,758	-
	3,097,758	-

(*) Birlik Pazarlama Sanayi ve Ticaret A.Ş. leased its factory building and land to Hero Gıda Sanayi ve Ticaret A.Ş. for 100 years. Birlik Pazarlama Sanayi ve Ticaret A.Ş. received a cash payment of TRY 3,144,923. Birlik Pazarlama Sanayi ve Ticaret A.Ş. will also receive a monthly payment of 5,000 Euro + VAT for the period that the building will be used by Hero Gıda Sanayii Ve Ticaret A.Ş.. The above balance represents the long term portion of the rent received in cash. Additionally, Birlik Pazarlama Sanayi ve Ticaret A.Ş. has paid its capital commitment to Hero Gıda Sanayi ve Ticaret A.Ş. with the amount received in cash.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

The detail of trade and non-trade payables is as follows:

	31 December 2006		31 December 2005	
	Trade	Non-trade	Trade	Non-trade
Besler Gıda A.Ş.	13,483,483	-	12,592,671	-
Esas Pazarlama A.Ş.	12,334,112	-	-	-
Hero Gıda A.Ş.	8,340,713	-	12,314,667	-
Önem Gıda A.Ş.	7,938,637	-	393,830	-
Yıldız Holding A.Ş.	771,441	6,467,862	6,100,290	1,447,803
Tire Kutsan A.Ş.	4,725,930	-	1,955,873	-
Polinas Plastik A.Ş.	3,582,605	-	6,166,969	-
Ak Gıda A.Ş.	1,432,006	-	963,494	-
Farmamak Ambalaj A.Ş.	993,050	-	384,916	-
Pri-Pack Amb. A.Ş.	968,312	-	2,324	-
PNS Pendik Nişasta Sanayi A.Ş.	865,487	-	3,054,007	-
İzsal Akaryakıt A.Ş.	705,914	-	1,229,435	-
Netlog Lojistik Hizmetleri A.Ş.	600,799	-	1,773,647	-
Berk Enerji Üretim A.Ş.	449,720	-	-	-
Dura Gıda A.Ş.	416,071	-	426,999	-
Fresh Cake Gıda A.Ş.	374,625	-	28,439,267	-
Garanti Gıda Ve Tic.	270,595	-	-	-
Kbf-Ukrayna	264,858	-	-	-
Della Gıda San.Tic.A.Ş.	237,234	-	-	-
Üstün Gıda San. Ve Tic. A.Ş.	187,001	-	99,308,832	-
Baycan Ciklet A.Ş.	179,678	-	9,346,830	-
Duran-Doğan Basım Amb. San.	154,229	-	-	-
Merkez Gıda Paz. A.Ş.	135,489	-	1,818,934	-
Datateknik Bilgisayar A.Ş.	63,776	-	183,989	-
Atlantik Gıda Paz. ve Tic. A.Ş.	23,273	-	-	-
Topkapı Makine A.Ş.	19,176	-	208,651	-
İnter Kombi Nakliyat A.Ş.	17,674	-	284,413	-
Mavi Yeşil Ltd. Şti.	1,741	-	493,612	-
Seher Gıda A.Ş.	390	-	360,709	-
Oyaş Okyanus Gıda A.Ş.	-	-	1,042,206	-
Fon Finansal Kiralama A.Ş.	-	-	510,783	34
Other related parties	267,844	301,759	95,265	1,004,736
Total	59,805,863	6,769,621	189,452,613	2,452,573

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

c) The detail of sales to and purchases from related parties is as follows:

	1 January – 31 December 2006		1 January – 31 December 2005	
	Purchases	Sales	Purchases	Sales
Üstün Gıda A.Ş.	480,997,209	42,217,713	577,355,488	184,498,271
Yıldız Holding A.Ş.	33,047,203	6,214,023	38,773,910	24,808,726
Besler Gıda A.Ş.	54,953,779	936,514	51,734,857	3,130,587
Atlantik Gıda A.Ş.	-	4,573,584	-	-
Dura Gıda A.Ş.	-	90,372	4,602,681	23,137
Fresh Cake Gıda A.Ş.	103,351,251	35,877,248	104,580,742	29,581,844
Hero Gıda A.Ş.	82,683,906	52,273,235	52,152,579	40,464,754
Netlog Lojistik Hiz. A.Ş.	4,479,031	428,259	26,335,279	1,644,781
Rekor Gıda Paz. A.Ş.	70,880	81,798,025	10,834,419	72,821,185
Pendik Nişasta A.Ş.	6,966,656	623,489	7,560,752	138,898
Tire Kutsan A.Ş.	23,147,752	7,000	17,252,421	279,142
Ak Gıda A.Ş.	22,529,318	4,042,391	31,049,709	9,587,181
Baycan Ciklet A.Ş.	56,353,306	11,787,091	69,411,479	19,539,279
Bizim Toplu Tüketim A.Ş.	33,363	20,150,203	7,826,052	36,553,946
Datateknik Bilgisayar A.Ş.	112,599	10,829	251,030	12,052
Della Gıda A.Ş.	4,522,024	608,039	1,148,486	393,946
Doruk Gıda A.Ş.	-	-	24,219,020	7,535,231
Ekol Otomotiv A.Ş.	-	-	199,136	498,236
Eksper A.Ş.	117,693	1,723,318	463,561	702,274
Esas Pazarlama A.Ş.	25,838,583	73,661,632	7,633,971	4,196,184
Farmamak A.Ş.	3,155,232	183,978	1,271,203	177,728
İzsal Akaryakıt A.Ş.	1,175,331	2,261	2,727,733	152,660
Mavi Yeşil Ltd. Şti.	888,458	1,148,353	7,508,062	7,169,450
Merkez Gıda Paz. A.Ş.	7,729,907	32,029,168	7,220,633	18,003,571
Mersa Elektronik A.Ş.	3,534,709	156,061	1,775,013	118,632
Natura Gıda A.Ş.	2,510,381	3,247,212	3,017,164	3,406,175
Oyaş A.Ş.	1,360,989	-	3,720,724	19,920
Önem Gıda A.Ş.	66,501,210	20,053,272	16,611,192	14,574,355
Örgen Gıda A.Ş.	3,932,211	131,650	1,801,617	135,072
Pakyağ A.Ş.	-	-	372,066	1,207,379
Polinas Plastik A.Ş.	16,315,787	284,751	14,271,859	738,423
Pripack Ambalaj A.Ş.	4,079,063	140,207	2,199,264	822,733
Seher Gıda A.Ş.	7,250	660,401	611,086	826,270
Topkapı Makine A.Ş.	1,445,161	48,504	2,275,864	48,547
Other	2,848,264	6,410,053	870,721	2,751,955
	1,014,688,506	401,518,836	1,099,639,773	486,562,524

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

In 2006 other than the trading transactions mentioned above, the Group purchased 96.6% of its BIM shares from Yıldız Holding A.Ş. at the fair value of these shares at the transaction date amounting to TRY 99,869,500.

In 2006 shares of Data Teknik Bilgisayar A.Ş. and Dura Gıda A.Ş., which were included in the Group's available for sale financial statements as of 31 December 2005, were sold to Yıldız Holding A.Ş. and Topkapı Makine Sanayi ve Ticaret A.Ş. in consideration of cash payments of TRY 5,847,915 and TRY 105,000, respectively.

In 2006 Birlik Pazarlama Sanayi ve Ticaret A.Ş. sold plant and machinery in consideration of TRY 8,635,665 to Hero Gıda Sanayi ve Ticaret A.Ş.. Prior to the sale, plant and machinery mentioned in the latter were accounted for in Birlik Pazarlama Sanayi ve Ticaret A.Ş. accounts and were utilized by Hero Gıda Sanayi ve Ticaret A.Ş.. The cost of the plant and machinery in Birlik Pazarlama Sanayi ve Ticaret A.Ş.'s accounts prior to the sale amounted to TRY 3,268,800.

d) The detail of income and expenses pertaining to interest, rent and services arising from transactions with related parties is as follows:

For the twelve month period ended 31 December 2006;

	Rent Income	Rent Expense	Service Income	Service Expense	Interest Income	Interest Expense
Bizim Toplu Tüketim A.Ş.	73,364	-	1,546	1,020,027	-	-
Dura Gıda A.Ş.	-	-	-	5,192,989	-	-
Esas Pazarlama A.Ş.	292,486	4,053	952,570	327,139	-	-
Garanti Gıda	-	-	-	689,107	-	-
Hero Gıda A.Ş.	130,095	-	1,444,799	304,470	-	-
İntercombi Nakliyat A.Ş.	-	-	-	17,260,135	-	-
İzsal Akaryakıt A.Ş.	21,490	671,376	5,446	2,872,201	-	-
Mavi Yeşil Ltd. Şti.	3,495	10,856	403	-	909,003	56,305
Merkez Gıda Paz. A.Ş.	35,885	21,999	287,196	1,399,864	-	4,712
Natura Gıda A.Ş.	243,672	298,894	37,595	-	-	1,377,724
Netlog Lojistik	549,876	975	1,734,821	24,776,137	-	-
Önem Gıda A.Ş.	97,780	-	84,746	84,700	-	-
Polinas Plastik A.Ş.	460	-	55,646	4,718	19,388	-
Pri-Pack Amb. A.Ş.	344,464	-	7,229	215	-	-
Rekor Gıda Paz. A.Ş.	44,361	16,800	86,838	4,295,307	-	-
Seher Gıda A.Ş.	341,986	2,401	54,406	704	-	-
Türkiye Finans Katılım Bankası	-	-	-	-	289,016	-
Üstün Gıda A.Ş.	45,772	348,660	2,590,506	9,220,770	1,901,511	2,141,269
Yıldız Holding A.Ş.	666,909	233,501	1,506,574	16,389,066	23,264,416	3,541,411
Other related parties	23,231	26,990	312,816	200,046	-	-
	2,915,326	1,636,505	9,163,137	84,037,595	26,383,334	7,121,421

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

For the period ended 31 December 2005, the total of rent, interest and service income was TRY 7,736,910, TRY 13,883,225, and TRY 3,307,623 respectively, while there was a total amount of TRY 18,533 rent expense, and TRY 1,410,889 interest expense to related parties.

e) The detail of guarantees, commitments and advances given in favor of related parties is as follows (in original currencies):

	31 December 2006	31 December 2005
TRY	1,620,425	11,518,731
USD	130,032,915	95,853,700
EUR	5,832,000	13,411,743
CHF	183,901	1,010,626

10. OTHER RECEIVABLES AND PAYABLES

Other Short-Term Receivables	31 December 2006	31 December 2005
Other short-term receivables	478,425	3,863,095
Receivables transferred (*)	6,031,831	9,126,909
Allowances for other doubtful receivables	(4,031,831)	-
	2,478,425	12,990,004

(*) The related receivable is from Sezginler Holding A.Ş.. A mortgage of TRY 13,910,000 was received from this company for the related receivable. This mortgage was transferred to another party and TRY 3,000,000 of the receivable as of 31 December 2005 was collected in cash as a result of this transfer. In accordance with the transfer agreement, the transferee has an unconditional commitment to pay TRY 2,000,000 in cash, unless the property subject to this mortgage is not sold within 2 years as of the transfer date. Based on the terms of related transfer agreement, the above mentioned allowance is set in the accompanying consolidated financial statements for the amount of the receivables exceeding TRY 2,000,000.

11. BIOLOGICAL ASSETS (NET)

None (31 December 2005: None).

12. INVENTORIES (NET)

The detail of inventories is as follows:

	31 December 2006	31 December 2005
Raw materials	45,870,182	39,658,751
Work in progress	293,920	1,460,605
Finished goods	22,108,190	55,823,010
Trade goods	7,461,357	22,305,845
Other inventories	2,853,095	5,641,601
Advances given	6,504,955	6,675,057
	85,091,699	131,564,869

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

13. RECEIVABLES FROM ONGOING CONSTRUCTIONS CONTRACTS AND PROGRESS COSTS

None (31 December 2005: None).

14. DEFERRED TAX ASSET AND LIABILITIES

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for Communique No: XI/25 purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB reporting and tax purposes as stated below:

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

Subsidiaries that have deferred tax asset:

Deferred tax (Assets):	31 December 2006	31 December 2005
Indexation and useful life differences of tangible and intangible assets	53,933	-
Valuation differences of marketable securities	77,389	-
Discount of trade payables	(123,884)	-
Provision for employment termination benefits	(175,298)	-
Allowance for doubtful receivables	(1,135,031)	-
Other	(10,267)	-
Deferred tax assets (net)	(1,313,158)	-

Subsidiaries that have deferred tax liability

Deferred tax liabilities:	31 December 2006	31 December 2005
Indexation and useful life differences of tangible and intangible assets	24,444,288	46,251,105
Valuation differences of marketable securities	2,961,060	134,238
Profit margin elimination on inventory	(1,050,775)	-
Discount of trade receivables/(payables)	788,822	1,254,322
Provision for employment termination benefits	(1,002,257)	(674,700)
Allowance for doubtful receivables	(1,359,798)	-
Provision of litigations	(326,841)	-
Disposal of subsidiary	(40,467)	-
Other	(715,309)	711,035
Deferred tax liabilities (net)	23,698,723	47,676,000

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

Movement of deferred tax liabilities:	1 January-31 December 2006	1 January-31 December 2005
Opening balance, 1 January	47,676,000	48,028,340
Effect of change in tax rate	(15,892,000)	-
Deferred tax (income)	(12,396,416)	(352,340)
Taxation net off funds in equity	3,038,449	-
Disposal of subsidiary	(40,468)	-
Closing balance	22,385,565	47,676,000

15. OTHER ASSETS AND LIABILITIES

Other Short-Term Assets:	31 December 2006	31 December 2005
Prepaid expenses	622,219	1,493,444
Other VAT	-	1,120,038
Prepaid taxes	260,585	1,707,813
Business advances given	3,213	18,830
VAT carried forward	5,505,777	9,535,384
	6,391,794	13,875,509

Other Long-Term Assets:	31 December 2006	31 December 2005
Prepaid expenses	-	6,589
	-	6,589

Other Short-Term Liabilities	31 December 2006	31 December 2005
Taxes and dues payable	7,936,294	7,243,107
Social security premiums payable	2,215,677	1,394,032
Overdue, deferred or installed taxes payable	102,334	271,231
Expense accruals	947,704	872,930
Other payables	509,446	199,570
	11,711,455	9,980,870

Other Long-Term Liabilities	31 December 2006	31 December 2005
Deferred liabilities to government	-	82,927
	-	82,927

16. FINANCIAL ASSETS

	31 December 2006	31 December 2005
Unconsolidated subsidiaries	546,796	587,767
Associates and joint ventures	27,992,208	38,943,565
Available for sale investments	181,699,946	19,009,695
	210,238,950	58,541,027

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

	Share %	31 December 2006	Share %	31 December 2005
Unconsolidated Subsidiaries				
Ülker Finance SA	99.00%	52,306	-	-
GF Lovell Deutschland	68.98%	46,288	68.98%	97,077
Dünya Gümrükleme Müş. A.Ş.	79.58%	441,175	79.58%	441,175
Basic Commodities B.V.	-	-	82.96%	49,515
KBF Ltd.	50.76%	7,017,862	-	-
KBF Ltd. (Capital Commitment)	-	(7,010,835)	-	-
		546,796		587,767

Ülker Finance SA is a company established to issue Eurobonds abroad.

GF Lovell Deutschland is a company that has been established to carry out marketing operations abroad.

Dünya Gümrükleme Müş. A.Ş. provides warehousing services for machinery, equipment, all types of food and finished products.

Basic Commodities B.V. has been incorporated in Netherlands. The Group's shares in Basic Commodities B.V. were sold to Yıldız Holding A.Ş. in 2006. Accordingly, TRY 518,707 obtained from this sale was recorded as income in the consolidated financial statements.

As of 15 December 2006, 99.84% of KBF Limited's share was purchased in consideration of TRY 4,947,080 from Lord Food International Ltd, which is managed by Yıldız Holding A.Ş.. USD 5,000 of this amount had already been paid as of 31 December 2006. The related company engages in production of biscuits in Ukraine.

Due to their immateriality compared to the consolidated financial statements, the financial statements of the above mentioned companies are not included in the consolidated financial statements of the Group as of 31 December 2006 and 31 December 2005.

Associates and joint ventures:		31 December 2006		31 December 2005
Hero Gıda San. ve Tic. A.Ş.	39.60%	7,602,354	39.60%	4,235,004
Pendik Nişasta A.Ş.	23.99%	18,865,177	23.99%	34,708,561
Sağlam GYO A.Ş.	21.43%	1,524,677	21.43%	1,500,000
Sağlam GYO A.Ş. (Capital Commitment)		-	-	(1,500,000)
		27,992,208		38,943,565

Associates and joint ventures are accounted for under the equity pick-up method:

	31 December 2006	31 December 2005
Indexed cost	34,915,862	30,739,241
Profits arising after the acquisition date and net-off with dividends received	(6,923,654)	8,204,324
	27,992,208	38,943,565

The financial information for the Group's associates and joints ventures accounted for under the equity pick-up method are as follows:

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

	31 December 2006	31 December 2005
Total assets	129,928,376	97,905,872
Total liabilities	(24,977,661)	(20,018,993)
Net assets	104,950,715	77,886,879
Group's share in net assets	27,992,208	38,943,565

	1 January-31 December 2006	1 January-31 December 2005
Net sales	156,413,113	148,528,509
Net profit for the period	20,347,391	14,611,660
Group's share in net profit for the period	6,262,253	4,156,240

Available for sale investments	Share %	31 December 2006	Share %	31 December 2005
Rekor Gıda Paz. A.Ş.	11.00%	44,650	10.00%	42,651
Data Teknik Bilgisayar A.Ş. (***)	-	-	19.00%	1,013,857
Fresh Cake Gıda A.Ş.	10.00%	2,430,618	10.00%	2,430,618
Netlog A.Ş. (Golden Lojistik)	12.60%	2,105,804	12.60%	2,105,804
Dura Gıda A.Ş. (****)	-	-	0.06%	156,358
Komaş A.Ş.	0.23%	151,155	0.23%	151,155
Besler Gıda A.Ş.	7.00%	3,097,685	7.00%	3,097,686
Berk Enerji Elektrik A.Ş.	<0.01%	47	0.13%	285
BİM Birleşik Mağazalar A.Ş. (*)	8.17%	154,020,555	0.03%	2,327,500
Taç Yatırım Ortaklığı A.Ş. (*)	0.06%	4,474	0.06%	6,408
Krafield Ltd.	<0.01%	258	<0.01%	258
Tire Kutsan A.Ş. (*)	12.36%	18,863,270	7.96%	7,677,115
Al Baraka Group (**)	<0.01%	961,430	-	-
Atlantik Gıda A.Ş.	<0.01%	20,000	-	-
		181,699,946		19,009,695

(*) The shares of these company's are traded on a stock exchange and they are valued at their fair values. Other available for sale investments have been presented at indexed cost in the accompanying consolidated financial statements. Also, all shares other than the shares acquired during the initial public offering of BIM which have a fair value of TRY 5,215,000, were purchased at their fair values at the transaction date in 2006 from Yıldız Holding A.Ş..

(**) Carried at fair value and traded on a foreign stock exchange.

(***) Data Teknik Bilgisayar A.Ş. was sold to Yıldız Holding A.Ş. in consideration of TRY 5,847,915 in cash during 2006.

(****) Dura Gıda A.Ş. was sold to Topkapı Makine Sanayi ve Ticaret A.Ş. in consideration of TRY 105,000 in cash during 2006.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

17. POSITIVE/(NEGATIVE) GOODWILL

As of 31 December 2005, the positive goodwill amounting to TRY 144,160,101 gross value and TRY 28,454,650 accumulated amortization value and negative goodwill amounting to TRY 730,079 gross value and TRY 109,512 accumulated amortization value are written off from assets as of 1 January 2006 and recorded under capital-investment elimination account due to the fact that such balances have resulted from the acquisitions of the companies under common control

18. INVESTMENT PROPERTY

None (31 December 2005: None).

19. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the period between 1 January 2006 and 31 December 2006 is as follows:

Cost	1 January 2006	Additions	Disposals	Impairment of fixed assets	Transfers	Disposals of subsidiary (*)	31 December 2006
Land	3,322,085	-	(37,990)	-	-	-	3,284,095
Land improvements	4,830,161	423,621	(15,296)	-	440,580	-	5,679,066
Buildings	165,982,590	5,647,713	(6,820,543)	-	238,826	-	165,048,586
Machinery and equipment	262,394,828	1,910,688	(18,518,132)	-	10,966,543	-	256,753,927
Furniture and fixtures	31,511,777	1,844,866	(3,779,267)	-	291,015	-	29,868,391
Vehicles	17,543,370	464,693	(7,380,122)	-	-	(527,381)	10,100,560
Leasehold improvements	16,480,713	1,612,253	(2,646,950)	-	-	-	15,446,016
Other tangible fixed assets	978,362	-	-	-	-	-	978,362
Construction in progress	1,987,844	11,982,450	-	-	(11,936,964)	-	2,033,330
Advances given	8,292,900	2,587,494	(2,559,313)	-	-	-	8,321,080
	513,324,630	26,473,778	(41,757,613)	-	-	(527,381)	497,513,414

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

Accumulated Depreciation	1 January 2006	Additions	Disposals	Impairment of fixed assets	Transfers	Disposals of subsidiary (*)	31 December 2006
Land	-	-	-	-	-	-	-
Land improvements	(398,868)	(198,388)	1,570	-	-	-	(595,686)
Buildings	(18,261,704)	(4,048,941)	566,600	-	-	-	(21,744,045)
Machinery and equipment	(146,370,640)	(17,828,644)	10,973,347	(9,381,159)	-	-	(162,607,096)
Furniture and fixtures	(26,115,232)	(1,753,338)	683,209	-	-	-	(27,185,361)
Vehicles	(6,387,772)	(1,285,009)	3,031,266	-	-	53,701	(4,587,814)
Leasehold improvements	(5,028,405)	(790,385)	2,381,717	-	-	-	(3,437,073)
Other tangible fixed assets	(978,362)	-	-	-	-	-	(978,362)
	(203,540,983)	(25,904,705)	17,637,709	(9,381,159)	-	53,701	(221,135,437)
Net Book Value	309,783,647						276,377,977

(*) These disposals consist of the fixed assets of Atlantik Gıda A.Ş. which was excluded from the scope of the consolidation with the decrease in the equity shares of the Group in this Company.

The movement of property, plant and equipment for the period between 1 January 2005 and 31 December 2005 is as follows:

Cost	1 January 2005	Additions	Disposals	Transfers	Disposal of Subsidiary (*)	31 December 2005
Land	3,714,185	1,190,000	(884,820)	-	(697,280)	3,322,085
Land improvements	2,078,888	2,751,273	-	-	-	4,830,161
Buildings	144,000,906	33,640,328	(11,658,644)	-	-	165,982,590
Machinery and equipment	262,927,633	6,613,792	(11,742,632)	4,596,035	-	262,394,828
Furniture and fixtures	35,583,442	1,397,596	(467,257)	142,830	(5,144,834)	31,511,777
Vehicles	37,569,709	2,336,335	(1,815,264)	137,308	(20,684,718)	17,543,370
Leasehold improvements	19,580,479	304,953	(1,671,407)	88,668	(1,821,980)	16,480,713
Other tangible fixed assets	978,362	-	-	-	-	978,362
Construction in progress	280,796	7,494,075	(822,186)	(4,964,841)	-	1,987,844
Advances given	12,651,124	480,706	(4,838,930)	-	-	8,292,900
	519,365,524	56,209,058	(33,901,140)	-	(28,348,812)	513,324,630

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

Accumulated Depreciation	1 January 2005	Additions	Disposals	Transfers	Disposal of Subsidiary (*)	31 December 2005
Land	-	-	-	-	-	-
Land improvements	(311,133)	(87,735)	-	-	-	(398,868)
Buildings	(17,543,386)	(2,611,209)	1,892,891	-	-	(18,261,704)
Machinery and equipment	(130,598,689)	(20,390,022)	4,618,071	-	-	(146,370,640)
Furniture and fixtures	(26,115,817)	(2,020,320)	120,813	-	1,900,092	(26,115,232)
Vehicles	(14,442,543)	(1,530,193)	1,015,103	-	8,569,861	(6,387,772)
Leasehold improvements	(4,555,980)	(977,451)	366,483	-	138,543	(5,028,405)
Other tangible fixed assets	(967,218)	(11,144)	-	-	-	(978,362)
	(194,534,766)	(27,628,074)	8,013,361	-	10,608,496	(203,540,983)
Net Book Value	324,830,758					309,783,647

(*) These disposals consist of the fixed assets of Golden Lojistik A.Ş. and Taç Yatırım Ortaklığı A.Ş. which were excluded from the consolidation with to the decrease in the shares of these Companies.

20. INTANGIBLE FIXED ASSETS

The movement of intangible fixed assets for the period between 1 January 2006 and 31 December 2006 is as follows:

Cost	1 January 2006	Additions	Disposals	Disposal of Subsidiary (*)	31 December 2006
Rights	20,280,455	2,917,547	-	(2,711,664)	20,486,338
Research and development costs	7,249	-	-	-	7,249
Other intangible fixed assets	1,380,968	24,620	(901,340)	-	504,248
Computer software	19,083	17,957	-	-	37,040
	21,687,755	2,960,124	(901,340)	(2,711,664)	21,034,875

Accumulated Amortization	1 January 2006	Additions	Disposals	Disposal of Subsidiary (*)	31 December 2006
Rights	(16,302,348)	(2,773,428)	-	1,765,428	(17,310,348)
Research and development costs	(3,008)	(725)	-	-	(3,733)
Other intangible fixed assets	(1,073,233)	(70,962)	808,923	-	(335,272)
Computer software	(8,756)	(6,202)	-	-	(14,958)
	(17,387,345)	(2,851,317)	808,923	1,765,428	(17,664,311)

Net Book Value	4,300,410				3,370,564
-----------------------	------------------	--	--	--	------------------

(*) These disposals consist of the fixed assets of Atlantik Gıda A.Ş. which was excluded from the scope of the consolidation with the decrease in the equity shares of the Group in this Company.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

The movement of intangible fixed assets for the period between 1 January 2005 and 31 December 2005 is as follows:

Cost	1 January 2005	Additions	Disposal of Subsidiary (*)	31 December 2005
Rights	17,380,271	2,900,184	-	20,280,455
Research and development costs	7,249	-	-	7,249
Other intangible fixed assets	1,418,629	13,555	(51,216)	1,380,968
Computer software	17,826	1,257	-	19,083
	18,823,975	2,914,996	(51,216)	21,687,755
Accumulated Amortization	1 January 2005	Additions	Disposals of Subsidiary (*)	31 December 2005
Rights	(12,401,390)	(3,900,958)	-	(16,302,348)
Research and development costs	(2,283)	(725)	-	(3,008)
Other intangible fixed assets	(970,604)	(111,057)	8,428	(1,073,233)
Computer software	(4,960)	(3,796)	-	(8,756)
	(13,379,237)	(4,016,536)	8,428	(17,387,345)
Net Book Value	5,444,738			4,300,410

(*) These disposals consist of the fixed assets of Golden Lojistik A.Ş and Taç Yatırım Ortaklığı A.Ş which were excluded from the scope of the consolidation with the decrease in the equity shares of the Group in these company's.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

21. ADVANCES RECEIVED

	31 December 2006	31 December 2005
Advances received	4,534,709	3,862,867
	4,534,709	3,862,867

22. PENSION PLANS

None (31 December 2005: None).

23. PROVISIONS

Short-Term Provisions	31 December 2006	31 December 2005
Current corporate tax provision	28,259,637	33,105,545
Prepaid taxes and funds (-)	(21,380,323)	(24,197,996)
Bonus provision	772,466	709,798
Provision for costs	208,462	124,437
Unused vacation accrual	897,736	-
Provision for litigation	1,635,091	-
	10,393,069	9,741,784

Long-Term Provisions	31 December 2006	31 December 2005
Retirement pay provision	5,212,018	5,862,501
	5,212,018	5,862,501

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits. Also, employees are required to be paid their retirement pay provisions who are entitled to receive retirement pay provisions in accordance with Law numbered 2242 and dated 6 March 1981 and numbered 4447 and dated 25 August 1999 of the existing Social Insurance Law No: 506 including the amended Article 60 of the related Law .

The amount payable consists of one month's salary limited to a maximum of TRY 1,857.44 (31 December 2005: TRY 1,727.15) for each period of service at 31 December 2006. As the maximum liability is revised semi annually, the maximum amount of TRY 1,960.69 effective from 1 January 2007 has been taken into consideration in the calculation of provision based on employment termination benefits

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 Group arising from the retirement of the employees. The Communiqué No: XI/25-Part 29 ("Employee Benefits") of the Capital Market Board require actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

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

The movement of the employment termination benefits is as follows:

	1 January-31 December 2006	1 January-31 December 2005
Opening balance	5,862,501	6,428,830
Charge for the period	1,136,159	1,441,740
Disposal of subsidiary (*)	(373,768)	(1,120,299)
Release of provision and retirement payments made in the period	(1,412,874)	(887,770)
Closing balance	5,212,018	5,862,501

(*) The related amount as of 31 December 2006 is attributable to the retirement pay provision of Atlantik Gıda Pazarlama ve Ticaret A.Ş. which was excluded from the scope of the consolidated financial statements of the Group as of 31 December 2006 and included as of 31 December 2005. (31 December 2005: The related amount as of 31 December 2005 is attributable to the retirement pay provision of Golden Lojistik ve Akaryakıt Ticaret A.Ş. and Taç Yatırım Ortaklığı which were excluded from the scope of the consolidated financial statements of the Group as of 31 December 2005 and included as of 31 December 2004).

24. MINORITY INTEREST

The amount of minority interest as of 31 December 2006 is equal to TRY 37,643,942 (31 December 2005: TRY 42,369,727). The minority share of TRY 525,937 on operating results for the year ended 31 December 2006 has been presented separately from the net profit for the same period in the accompanying consolidated statements of income.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

25. SHARE CAPITAL

The structure of the share capital as at 31 December 2006 and 31 December 2005 is as follows:

Shareholders	31 December 2006		31 December 2005	
	TRY Amount	Share	TRY Amount	Share
Yıldız Holding A.Ş.	103,726,151	43.02%	103,726,151	43.02%
BNP Paribas (Suisse) SA (*)	64,058,623	26.57%	64,058,623	26.57%
Other	73,302,226	30.41%	73,302,226	30.41%
	241,087,000	100.00%	241,087,000	100.00%

(*)United European Bank Dynamic Growth Fund, one of the shareholders of the company, was taken over by its main shareholder BNP Paribas (Suisse) SA as of 2 October 2006, and the name of the fund was changed as BNP Paribas (Suisse) SA.

21.78% of the shares owned by the United European Bank Dynamic Growth Fund represents non-public shares, whereas 4.79% of the rest of the shares is traded in stock exchange.

Subsequent to the acquisition of Anadolu Gıda Sanayi A.Ş., the Company increased its registered share capital ceiling to TRY 500,000,000 with the permission of Capital Market Board dated 23 January 2004 and numbered 1301.

Considering additional profit share distribution, Group A and B share certificate owners have been granted a privilege out of the primary dividend at a rate of 17.65%. Additionally, the owners of 22,171 bonus certificates not included in the capital structure have been granted privilege out of the primary dividend at the rate of 11.76 %. Group A and Group D share certificate owners have also been granted privilege for 4 and 1 vote respectively, for appointing candidates for board of directors.

As described in Notes 2, and 17, the positive goodwill amounting to TRY 115,705,451 and negative goodwill amounting to TRY 620,567 are written off from assets as of 1 January 2006 and recorded under capital-investment elimination account due to the fact that such balances have resulted from the acquisitions of entities under common control.

26. CAPITAL RESERVES

	31 December 2006	31 December 2005
Revaluation fund on associates	-	7,896,188
Fair value revaluation reserve	57,775,899	4,317,597
Inflation adjustment on equity items	146,264,465	146,264,465
	204,040,364	158,478,250

(*) As explained in Note 2 in "Comparative Information and Restatement of Prior Period Financial Statements" adjustments are made to the equity valuation difference and retained earnings in the 1 January 2006 consolidated financial statements due to an incorrect journalization related to a consolidated subsidiary accounted for under the equity method amounting to TRY 18,538,641.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

27. PROFIT RESERVES

The legal reserves consist of the first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions, however holding companies are not subject to this application. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses.

	31 December 2006	31 December 2005
Legal reserves	11,589,950	7,889,131
Extraordinary reserves	27,450,225	14,554,258
Other reserves	3,858,862	3,858,862
Profit on equity participation and fixed asset sales that will be transferred to share capital	26,636,968	26,636,968
	69,536,005	52,939,219

28. RETAINED EARNINGS/ACCUMULATED (DEFICIT)

	31 December 2006	31 December 2005
Retained earnings	47,567,681	35,756,767
	47,567,681	35,756,767

29. FOREIGN CURRENCY POSITION

The Group's foreign currency position as of 31 December 2006 and 31 December 2005 and the amounts of assets and liabilities in foreign currencies held by the Group are given as follows:

	31 December 2006	31 December 2005
Assets	118,676,532	105,872,682
Liabilities	(275,917,853)	(341,736,512)
Net Balance Sheet Position	(157,241,321)	(235,863,830)

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

As of 31 December 2006;

Assets	USD (Equivalent of TRY)	EUR (Equivalent of TRY)	GBP (Equivalent of TRY)	Other (Equivalent of TRY)	Total (Equivalent of TRY)
Cash and cash equivalents	14,652,616	4,236,428	2,481,959	-	21,371,003
Short-term trade receivables (net)	25,069,755	13,260,927	319,759	-	38,650,441
Receivables from related parties (net)	52,227,392	6,085,529	260,784	-	58,573,705
Other receivables	63,331	-	165	-	63,496
Inventories	103	-	-	-	103
Advances given	399	-	-	-	399
Long-term trade receivables (net)	16,727	-	-	-	16,727
Other current assets	658	-	-	-	658
	92,030,981	23,582,884	3,062,667	-	118,676,532
Liabilities					
	USD (Equivalent of TRY)	EUR (Equivalent of TRY)	GBP (Equivalent of TRY)	Other (Equivalent of TRY)	Total (Equivalent of TRY)
Short-term financial liabilities	(151,477,785)	(14,052,071)	-	-	(165,529,856)
Trade payables (net)	(659,421)	(2,588,215)	(48,809)	(384,986)	(3,681,431)
Payables to related parties (net)	(307,548)	(1,921,475)	(1,104)	-	(2,230,127)
Short-term financial lease payables	(19,769,965)	(31,334)	-	-	(19,801,299)
Other short-term financial liabilities	(2,744,750)	-	-	-	(2,744,750)
Long-term financial liabilities	(77,308,000)	-	-	-	(77,308,000)
Long-term financial lease payables	(131,437)	-	-	-	(131,437)
Advances received	(4,279,267)	(117,340)	(13,699)	-	(4,410,306)
Expense accruals	(80,647)	-	-	-	(80,647)
	(256,758,820)	(18,710,435)	(63,612)	(384,986)	(275,917,853)
Net Foreign Currency Position	(164,727,839)	4,872,449	2,999,055	(384,986)	(157,241,321)

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

As of 31 December 2005;

Assets	USD (Equivalent of TRY)	EUR (Equivalent of TRY)	GBP (Equivalent of TRY)	Other (Equivalent of TRY)	Total (Equivalent of TRY)
Cash and cash equivalents	13,308,760	6,442,980	1,573,825	-	21,325,565
Marketable securities (net)	1,043,920	-	-	-	1,043,920
Short-term trade receivables (net)	54,360,976	13,581,446	217,900	-	68,160,322
Receivables from related parties (net)	3,464,343	1,042	-	-	3,465,385
Other receivables	11,444,264	-	-	-	11,444,264
Advances given	383,850	31,440	-	-	415,290
Other current assets	1,342	-	-	-	1,342
Long-term trade receivables (net)	16,594	-	-	-	16,594
	84,024,049	20,056,908	1,791,725	-	105,872,682

Liabilities	USD (Equivalent of TRY)	EUR (Equivalent of TRY)	GBP (Equivalent of TRY)	Other (Equivalent of TRY)	Total (Equivalent of TRY)
Short-term financial liabilities	(249,933,669)	(8,180,291)	-	-	(258,113,960)
Trade payables (net)	(13,026,097)	(1,728,816)	(2,880)	(398,472)	(15,156,265)
Payables to related parties (net)	(2,376,565)	(1,920,751)	-	-	(4,297,316)
Short-term financial lease payables	(29,883,696)	(295,179)	-	-	(30,178,875)
Long-term financial liabilities	-	(11,112,500)	-	-	(11,112,500)
Long-term financial lease payables	(18,801,909)	(393,685)	-	-	(19,195,594)
Advances received	(3,572,063)	(109,939)	-	-	(3,682,002)
	(317,593,999)	(23,741,161)	(2,880)	(398,472)	(341,736,512)

Net Foreign Currency Position	(233,569,950)	(3,684,253)	1,788,845	(398,472)	(235,863,830)
--------------------------------------	----------------------	--------------------	------------------	------------------	----------------------

30. GOVERNMENT INCENTIVES

Benefits from government grants and incentives are disclosed in detail in Note 3.p.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

31. COMMITMENTS AND CONTINGENCIES

a) Guarantees Received and Given

aa) As of 31 December 2006;

Guarantees Received	31 December 2006					
	USD (Equivalent of TRY)	EUR (Equivalent of TRY)	GBP (Equivalent of TRY)	Total Foreign Currency (Equivalent of TRY)	Equivalent of TRY	Total
Letters of guarantee received	17,435,062	5,743,353	306,016	23,484,431	27,235,066	50,719,497
Cheques received	35,140	-	-	35,140	2,896,207	2,931,347
Notes receivable received	11,705,837	244,861	-	11,950,698	7,549,185	19,499,883
Other guarantees received	-	-	-	-	40,000	40,000
Mortgages	702,800	6,665,400	-	7,368,200	62,961,486	70,329,686
Equity shares	-	-	-	-	6,869,943	6,869,943
	29,878,839	12,653,614	306,016	42,838,469	107,551,887	150,390,356

Guarantees Given	31 December 2006					
	USD (Equivalent of TRY)	EUR (Equivalent of TRY)	GBP (Equivalent of TRY)	Total Foreign Currency (Equivalent of TRY)	Equivalent of TRY	Total
Letters of guarantee given	(4,631,795)	-	-	(4,631,795)	(30,167,474)	(34,799,269)
Export commitments	(103,584,608)	-	-	(103,584,608)	-	(103,584,608)
	(108,216,403)	-	-	(108,216,403)	(30,167,474)	(138,383,877)

31 December 2006	
Assets	42,838,469
Liabilities	(108,216,403)
Off-Balance Sheet	
Foreign Currency Position	(65,377,934)

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

ab) As of 31 December 2005;

Guarantees Received		31 December 2005				
	USD	EUR	GBP	Total Foreign Currency	Equivalent	Total
	(Equivalent of TRY)	(Equivalent of TRY)	(Equivalent of TRY)	(Equivalent of TRY)	of TRY	
Letters of guarantee received	21,965,266	1,011,238	256,643	23,233,147	61,967,099	85,200,246
Cheques received	167,725	-	-	167,725	2,155,958	2,323,683
Notes receivable received	9,280,292	317,500	-	9,597,792	7,146,691	16,744,483
Other guarantees received	-	-	-	-	40,000	40,000
Mortgages	-	-	-	-	61,538,136	61,538,136
Equity shares	-	-	-	-	20,372,201	20,372,201
	31,413,283	1,328,738	256,643	32,998,664	153,220,085	186,218,749

Guarantees Given		31 December 2005				
	USD	EUR	GBP	Total Foreign Currency	Equivalent	Total
	(Equivalent of TRY)	(Equivalent of TRY)	(Equivalent of TRY)	(Equivalent of TRY)	of TRY	
Letters of guarantee given	(8,872,787)	-	-	(8,872,787)	(42,381,416)	(51,254,203)
Cheques given	(18,785,200)	-	-	(18,785,200)	-	(18,785,200)
Export commitments	(113,218,120)	-	-	(113,218,120)	-	(113,218,120)
	(140,876,107)	-	-	(140,876,107)	(42,381,416)	(183,257,523)

31 December 2005	
Assets	32,998,664
Liabilities	(140,876,107)
Off-Balance Sheet Foreign Currency Position	(107,877,443)

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

b) Lawsuits launched by and against the Group

ba) As of 31 December 2006;

Lawsuits filed by the Group:

	TRY	USD
Compensation litigations	1,030,000	-
Foreclosure proceedings	493,807	-
Tax litigations	46,910	-
Criminal litigations	100,012	-
Action of debt	1,020,504	-
	2,691,233	-

Lawsuits launched against the Group:

	TRY	USD
Foreclosure proceedings (*)	885	-
Action of debts (*)	92,561	-
Compensation litigations (*)	1,978,867	562,240
	2,072,313	562,240

(*) Provision of TRY 1,635,091 has been booked in the accompanying consolidated financial statements regarding the lawsuits launched against the Group.

bb) As of 31 December 2005;

Lawsuits filed by the Group:

	TRY	USD
Compensation litigations	1,050,000	-
Foreclosure proceedings	150,000	(*) 9,218,166
Tax litigations	1,003	-
Action of debts	95,936	-
	1,269,939	9,218,166

(*) The above-mentioned amount was regarding a lawsuit against Sezginler Holding. This lawsuit was settled in favor of the Group. The mortgage at the amount of TRY 13,910,000 received from the company mentioned above has been transferred to a real person third party and TRY 3,000,000 of this balance has been collected.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

Lawsuits launched against the Group:

	TRY	USD
Action of debts	12,000	-
Compensation litigations	1,103,900	536,720
	1,115,900	536,720

32. BUSINESS COMBINATIONS

There are not any business combinations in the year ended 31 December 2006 (31 December 2005: None).

33. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group has operations in only one production area, thus no segmental reporting exists.

34. EVENTS AFTER THE BALANCE SHEET DATE

- Ülker Gıda Sanayi ve Ticaret A.Ş. is included as a guarantor for a syndication loan agreement amounting to USD 125,000,000 which was signed on 13 February 2007 by Yıldız Holding A.Ş., the Parent Company. Each year, Yıldız Holding A.Ş. pays 0.25% of the capital amount (25 basis points) to the Company as a surety commission.
- The Group's share in the share capital of Sağlam Gayrimenkul Yatırım Ortaklığı A.Ş. decreased to 10.71% subsequent to the initial public offering of Sağlam Gayrimenkul Yatırım Ortaklığı A.Ş. made on 2 March 2007.
- The Company's one of the properties in Antalya was sold to Fon Finansal Kiralama A.Ş. in consideration of TRY 4,320,000 based on the property valuation report prepared by Vektör Gayrimenkul Değerlendirme A.Ş.. The value of the related property is TRY 1,817,106 in the accompanying financial statements. It was decided by Sağlam Gayrimenkul Yatırım Ortaklığı A.Ş. to purchase the related property through a leasing agreement from Fon Finansal Kiralama A.Ş.
- USD 3,924,956 of the capital commitment of USD 4,942,080 to KBF Ltd was paid as of the date of this report.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

35. DISCONTINUED OPERATIONS

There are no discontinued operations in 2006. On the other hand, the Group's control right, that was transferred to Ülker Gıda by Yıldız Holding A.Ş. and Üstün Gıda Sanayi ve Ticaret A.Ş., over Atlantik Gıda Pazarlama ve Ticaret Sanayi A.Ş. has ended with the decrease in the equity shares of the Group in this company. Therefore, Atlantik Gıda Pazarlama ve Ticaret A.Ş. is excluded from the scope of the consolidated financial statements of the Group as of 30 November 2006. The related company's statement of income for the periods 1 January-30 November 2006 and 24 February 2005 (Inception date)-31 December 2005 are provided below:

	1 January-31 November 2006	24 February-31 December 2005
Net sales	835,792,299	405,145,775
Cost of sales	(725,458,737)	(343,315,642)
Operating expenses	(123,186,119)	(55,454,109)
Other operating income and profits	5,864,777	8,158,144
Other operating expenses and losses	(2,086,632)	(3,578,510)
Finance expenses	(4,598,638)	(233,405)
Loss before taxation	(13,673,050)	10,722,253
Taxation	1,919,233	(3,114,265)
Net profit/(loss) for the period	(11,753,817)	7,607,988

36. REVENUE AND COST OF SALES

The detail of operating income is as follows:

	1 January –31 December 2006	1 January –31 December 2005
Domestic sales	1,887,011,688	1,445,940,143
Export sales	245,004,589	232,200,841
Other operating income	127,961,943	64,156,259
Sales returns (-)	(50,329,223)	(41,980,652)
Sales discounts (-)	(420,418,990)	(341,415,312)
Other discounts (-)	-	(11,869)
Sales income (net)	1,789,230,007	1,358,889,410
Cost of sales (-)	(1,427,176,899)	(1,054,019,733)
Gross profit (net)	362,053,108	304,869,677

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

37. OPERATING EXPENSES

The detail of operating expenses is as follows:

	1 January-31 December 2006	1 January-31 December 2005
Research and development expenses		
Personnel expenses	(379,009)	(430,541)
Raw materials used	(241,617)	(305,038)
Depreciation and amortization expenses	(191,425)	(26,838)
Other expenses	(225,774)	(280,441)
	(1,037,825)	(1,042,858)
Marketing, selling and distribution expenses		
Personnel expenses	(15,645,536)	(23,949,844)
Marketing expenses	(210,278,660)	(131,911,514)
Depreciation and amortization expenses	(8,801,243)	(7,739,414)
Other	(1,103,834)	(1,880,212)
	(235,829,273)	(165,480,984)
General administrative expenses		
Personnel expenses	(15,708,845)	(16,338,290)
Administrative expenses	(11,018,445)	(9,378,161)
Depreciation and amortization expenses	(3,168,895)	(1,765,084)
Amortization of goodwill	-	(7,452,924)
Consultancy expenses	(2,172,265)	(2,258,649)
Other	(1,706,886)	(1,480,916)
	(33,775,336)	(38,674,024)
Total Operating Expenses	(270,642,434)	(205,197,866)

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

38. OTHER OPERATING INCOME/(EXPENSES)

a) The detail of other operating income is as follows;

	1 January-31 December 2006	1 January-31 December 2005
Interest income	24,762,543	40,197,785
Dividend income	2,449,407	3,758,625
Provisions released	354,300	1,270,445
Discount income	9,664,732	11,452,315
Foreign exchange income	60,321,431	29,832,514
Gain on sale of property, plant and equipment	10,528,497	-
Gain on sale of marketable securities	5,301,507	-
Income from investments accounted for under the equity method	4,762,475	4,156,240
Other ordinary income and profits	17,125,505	9,511,897
	135,270,397	100,179,821

b) The detail of other operating expenses is as follows:

	1 January-31 December 2006	1 January-31 December 2005
Discount expense	(11,101,006)	(8,834,534)
Commission expense	(75,154)	(54,982)
Foreign exchange expense	(56,162,962)	(18,744,318)
Provision expense	(12,236,447)	(3,415,417)
Other expenses	(2,386,823)	(7,761,383)
Loss on sale of property, plant and equipment	(7,103,422)	(1,087,137)
Impairment of plant, property and equipment	(9,381,158)	-
Loss on sale of subsidiaries	-	(2,305,791)
	(98,446,972)	(42,203,562)

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

39. FINANCE EXPENSES

The detail of finance expenses is as follows;

	1 January-31 December 2006	1 January-31 December 2005
Interest expense	(25,089,321)	(25,918,119)
Foreign exchange losses	(11,731,838)	(16,614,485)
Mortgage expenses	(491,378)	(391,038)
Commission expenses	(804,769)	(924,709)
Letter of credit expenses	(64,521)	(280,484)
Other	(724,679)	(245,143)
	(38,906,506)	(44,373,978)

40. NET MONETARY GAIN/(LOSS)

Pursuant to the meeting of the Capital Market Board, dated 17 March 2005 no. 11/367, it was concluded that the hyperinflationary period was over and other indicators of the hyperinflationary period had ceased to a considerable extent. Therefore, inflation accounting has been ceased as of 1 December 2005 and, as such, net monetary gain/(loss) is not calculated in the accompanying consolidated financial statements as of 31 December 2006.

41. TAXATION ON INCOME

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the year.

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

The effective tax rate in 2006 and the following years is 20% (2005: 30%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was decreased to 20% for 2006 (2005: 30%). The excess temporary tax paid of corporate income that was calculated at the rate of 30% during the taxation of the corporate income in temporary taxation periods after January 2006 over 20% will be deducted from future temporary tax returns.

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year (Companies with special accounting periods file their tax returns between 1-25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax:

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

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the Group.

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to the following years as of 31 December 2005 so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to the following years.

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

Adjusted Tax Calculations According to Inflation:

Before the year 2003 and previous periods, except yearly revaluation of fixed assets and their depreciations, the profit for the period was calculated with the inflation adjusted balances. In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" ("Tax Law 5024") that was published in the Official Gazette on 30 December 2003, the application of the inflation accounting has to be used in case of the inflation rate reaches the stated range in the law after 2004 and the following periods. Because inflation exceeded certain criteria in 2004, according to Tax Law article 5024 the Group made inflation adjustment, these balances were used as opening balance for legitimate records after 1 January 2005. In 2005 and 2006 inflation accounting was not applied because the criteria stated in the law did not occur.

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

Provision for taxation as at 31 December 2006 and 31 December 2005 are as follows:

	31 December 2006	31 December 2005
Current tax provision	28,259,637	33,105,545
Deferred tax assets/(liabilities)	(21,380,323)	(24,197,996)
Tax provision in balance sheet	6,879,314	8,907,549

	1 January-31 December 2006	1 January-31 December 2005
Current tax provision	28,259,637	33,105,545
Deferred tax (assets)/liabilities	(28,288,416)	(352,340)
Taxation in the statement of income	(28,779)	32,753,205

The reconciliation of taxation as of 31 December 2006 is as follows:

	1 January-31 December 2006
Reconciliation of taxation:	
Profit before taxation and minority interest	88,801,656
Effective tax rate	%20
Expected taxation	17,760,331
-tax effects of:	
-nondeductible expenses	1,715,864
-dividends and other non-taxable income	(7,340,940)
-carry forward tax losses	5,289,874
-effect of change in deferred tax rate	(15,892,000)
-effect of disposal of subsidiary	(1,919,234)
-consolidation adjustments	357,326
Taxation in the statement of income	(28,779)

Ülker Gıda San. ve Tic. Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 and 31 December 2005

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

42. EARNINGS PER SHARE

As of 31 December 2006 and 31 December 2005, the Group's weighted average number of shares and computation of earnings per share set out here as follows (cash increases are assumed to exclude bonus shares):

	1 January-31 December 2006	1 January-31 December 2005
Weighted average number of common stock outstanding	24,108,700,000	23,870,000,000
Net profit	88,830,435	66,226,253
Basic Earnings Per Share (1 TRY par value each)	0.37	0.28

43. STATEMENT OF CASH FLOW

Cash flow statement is presented with the consolidated financial statements.

44. OTHER ISSUES REQUIRED TO BE EXPLAINED THAT AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR TO MAKE CONSOLIDATED FINANCIAL STATEMENTS CLEAR, UNDERSTANDABLE AND INTERPRETABLE

The financial statements of the Group that have been prepared in accordance with Communiqué No: XI/25 "Communique on Capital Market Accounting Standards" have been approved and authorized for issue on the Board of Directors Meeting dated 13 April 2007.



Davutpaşa Cad. No:10 Topkapı / İSTANBUL

Phone: (+90 212) 567 68 00

Fax : (+90 212) 613 90 90

www.ulker.com.tr