PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

FINANCIAL STATEMENTS
AT 31 DECEMBER 2007
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION -
THE TURKISH TEXT IS AUTHORITATIVE)

INDEPENDENT AUDITOR'S REPORT

(Convenience translation - the Turkish text is authoritative)

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

1. We have audited the accompanying financial statements of Pınar Süt Mamülleri Sanayii A.Ş. (the "Company") which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards issued by the Turkish Capital Market Board. 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pınar Süt Mamülleri Sanayii A.Ş. as of 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the Turkish Capital Market Board (Note 2).

Emphasis of Matter

5. As explained in Notes 1 and 9 to the financial statements, the Company sells a substantial portion of its products to its related party and associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), which performs sales and distribution of the Company's products in the domestic market.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Adnan Akan, SMMM
Partner

İstanbul, 10 April 2008

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

FINANCIAL STATEMENTS AT 31 DECEMBER 2007

CONTENTS **PAGE**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

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

	Notes	31 December 2007	31 December 2006
ASSETS			
Current Assets		**109.057.852**	**96.472.998**
Cash and cash equivalents	4	10.596.668	7.199.963
Marketable securities- net	5	-	-
Trade receivables- net	7	4.834.027	9.232.673
Leasing receivables- net	8	-	-
Due from related parties- net	9	47.605.640	50.169.071
Other receivables- net	10	2.445.223	35.944
Biological assets- net	11	-	-
Inventories- net	12	42.899.338	29.257.962
Construction contract receivables	13	-	-
Deferred income tax assets	14	-	-
Other current assets	15	676.956	577.385
Non- current assets		**299.714.865**	**253.059.127**
Trade receivables- net	7	2.587	2.639
Leasing receivables- net	8	-	-
Due from related parties- net	9	15.786.921	13.467.837
Other receivables- net	10	-	-
Financial assets- net	16	65.832.997	51.294.233
Positive/ negative goodwill- net	17	-	-
Investment property- net	18	960.026	1.058.751
Property, plant and equipment- net	19	214.111.599	183.115.085
Intangible assets- net	20	2.975.128	4.074.975
Deferred income tax assets	14	-	-
Other non-current assets	15	45.607	45.607
TOTAL ASSETS		**408.772.717**	**349.532.125**

These financial statements at 31 December 2007 and for the year then ended have been approved for issue by the Board of Directors of the Company on 10 April 2008.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

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

	Notes	31 December 2007	31 December 2006
LIABILITIES			
Current liabilities		**65.349.706**	**63.194.528**
Financial liabilities- net	6	607.291	3.970.935
Short-term portion of long-term financial liabilities- net	6	4.986.635	9.520.330
Leasing obligations- net	8	138.878	139.328
Other financial liabilities- net	10	-	-
Trade payables- net	7	44.071.340	38.757.706
Due to related parties- net	9	10.518.556	8.741.706
Advances received	21	-	19.349
Billing for construction contracts in progress- net	13	-	-
Provisions	23	4.053.596	824.017
Deferred income tax liabilities	14	-	-
Other current liabilities	15	973.410	1.221.157
Non - current liabilities		**55.314.788**	**46.498.775**
Financial liabilities- net	6	12.446.891	14.631.488
Leasing obligations- net	8	136.003	296.430
Other financial liabilities- net	10	-	-
Trade payables- net	7	10.074.457	10.557.943
Due to related parties- net	9	8.175.000	-
Advances received	21	-	-
Provisions	23	3.201.538	2.889.504
Deferred income tax liabilities	14	21.280.899	18.123.410
Other non-current liabilities	15	-	-
MINORITY INTEREST	**24**	**-**	**-**
SHAREHOLDERS' EQUITY		**288.108.223**	**239.838.822**
Share capital	**25**	**44.951.051**	**44.951.051**
Treasury Shares		-	-
Reserves	**26-28**	**124.290.520**	**91.444.563**
Share premiums		-	-
Profit from share cancellations		-	-
Revaluation reserve	19	80.225.122	58.126.400
Revaluation reserve of associates		349.823	175.848
Fair value reserves of available-for-sale investments	16	14.562.340	3.584.770
Fair value reserves of associates		2.257.830	2.662.140
Inflation adjustment to shareholders' equity	26-28	26.895.405	26.895.405
Profit reserves		**11.126.984**	**4.140.076**
Legal reserves	26-28	8.387.003	5.169.966
Statutory reserves		-	-
Extraordinary reserves	26-28	8.290.574	4.500.149
Special reserves		-	-
Gain on investment and property sales, to be added to the capital		-	-
Currency translation reserve	2.3	(12.716)	7.838
Distribution to shareholders	32	(5.537.877)	(5.537.877)
Net profit for the year		**39.660.157**	**28.585.922**
Retained earnings	**26-28**	**68.079.511**	**70.717.210**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**408.772.717**	**349.532.125**
Commitments and contingent assets and liabilities	31		

The accompanying explanatory notes are an integral part of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated.)

	Notes	1 January - 31 December 2007	1 January - 31 December 2006
OPERATING REVENUE			
Net sales	36	451.620.647	358.180.154
Cost of sales	36	(360.856.274)	(288.573.653)
Service income- net		-	-
Other income		-	-
GROSS PROFIT		**90.764.373**	**69.606.501**
Operating expenses	37	(47.016.472)	(50.897.010)
NET OPERATING PROFIT		**43.747.901**	**18.709.491**
Other income	38	23.401.901	24.679.428
Other expenses	38	(7.222.594)	(5.873.166)
Finance expenses	39	(6.799.027)	(12.230.248)
OPERATING PROFIT		**53.128.181**	**25.285.505**
Gain/ (loss) on net monetary position	40	-	-
Profit/ (loss) attributable to minority interest	24	-	-
PROFIT BEFORE TAXATION ON INCOME		**53.128.181**	**25.285.505**
Taxes on income	41	(13.468.024)	3.300.417
NET PROFIT FOR THE YEAR		**39.660.157**	**28.585.922**
EARNINGS PER SHARE (YTL)	**42**	**0,8823**	**0,6359**

The accompanying explanatory notes are an integral part of these financial statements.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

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

	Share capital	Revaluation reserve	Revaluation reserve of associates	Fair value reserves of available for-sale investements	Fair value reserve of associates	Inflation adjustment to shareholders' equity	Legal reserves	Extraordinary reserves	Currency translation reserves	Distribution to shareholders	Net profit for the year	Retained earnings	Total shareholders' equity
1 January 2007- previously reported	**44.951.051**	**58.126.400**	**175.848**	**3.584.770**	**2.662.140**	**26.895.405**	**5.169.966**	**4.500.149**	**7.838**	**(5.537.877)**	**28.585.922**	**70.717.210**	**239.838.822**
Bonus paid to senior management relating to 2006 (Note 2.4)	-	-	-	-	-	-	-	-	-	-	(1.800.000)	-	(1.800.000)
1 January 2007- as restated	**44.951.051**	**58.126.400**	**175.848**	**3.584.770**	**2.662.140**	**26.895.405**	**5.169.966**	**4.500.149**	**7.838**	**(5.537.877)**	**26.785.922**	**70.717.210**	**238.038.822**
Impairment of the investment property previously classified as owner occupied property- net (Note 2.4)	-	5.055.719	-	-	-	-	-	-	-	-	-	(5.055.719)	-
Transfer of prior year income to retained earnings	-	-	-	-	-	-	3.217.037	3.790.425	-	-	(26.785.922)	19.778.460	-
Dividends paid (Note 9.ii.i)	-	-	-	-	-	-	-	-	-	-	-	(19.778.460)	(19.778.460)
Increase in revaluation reserve- net (Notes 18 and 19)	-	20.970.399	-	-	-	-	-	-	-	-	-	-	20.970.399
Increase in revaluation reserve of associates - net (Note 16)	-	-	173.975	-	-	-	-	-	-	-	-	-	173.975
Fair value gain on available for-sale investments- net (Note 16)	-	-	-	11.634.884	-	-	-	-	-	-	-	-	11.634.884
Deferred income tax effect on fair value gain on available-for-sale financial assets (Note 14)	-	-	-	(657.314)	-	-	-	-	-	-	-	-	(657.314)
Fair value decrease of associates - net (Note 16)	-	-	-	-	(404.310)	-	-	-	-	-	-	-	(404.310)
Currency translation difference (Notes 2 and 16)	-	-	-	-	-	-	-	-	(20.554)	-	-	-	(20.554)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	39.660.157	-	39.660.157
Depreciation transfer (Note 19)	-	(2.418.020)	-	-	-	-	-	-	-	-	-	2.418.020	-
Deferred income tax on revaluation reserve - net (Note 14)	-	(1.509.376)	-	-	-	-	-	-	-	-	-	-	(1.509.376)
31 December 2007	**44.951.051**	**80.225.122**	**349.823**	**14.562.340**	**2.257.830**	**26.895.405**	**8.387.003**	**8.290.574**	**(12.716)**	**(5.537.877)**	**39.660.157**	**68.079.511**	**288.108.223**

The accompanying explanatory notes are an integral part of these financial statements.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

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

	Share capital	Revaluation reserve	Revaluation reserve of associates	Fair value reserves of available for-sale investments	Fair value reserve of associates	Inflation adjustment to shareholders' equity	Legal reserves	Extraordinary reserves	Currency translation reserves	Distribution to shareholders	Net profit for the year	Retained earnings	Total shareholders' equity
1 January 2006	**44.951.051**	**58.019.844**	**207.986**	**(420.907)**	**1.461.766**	**26.895.405**	**2.619.087**	**594.131**	**(8.630)**	**(5.537.877)**	**22.189.767**	**68.239.576**	**219.211.199**
Transfer of prior year income to retained earnings	-	-	-	-	-	-	2.550.879	3.906.018	-	-	(22.189.767)	15.732.870	-
Dividends paid (Note 9)	-	-	-	-	-	-	-	-	-	-	-	(15.732.870)	(15.732.870)
Decrease in revaluation reserve of associates (Note 16)	-	-	(32.138)	-	-	-	-	-	-	-	-	-	(32.138)
Fair value gain on available for-sale investments- net (Note 16)	-	-	-	4.353.373	-	-	-	-	-	-	-	-	4.353.373
Fair value increase of associates - net (Note 16)	-	-	-	-	1.200.374	-	-	-	-	-	-	-	1.200.374
Currency translation difference (Notes 2 and 16)	-	-	-	-	-	-	-	-	16.468	-	-	-	16.468
Net profit for the year	-	-	-	-	-	-	-	-	-	-	28.585.922	-	28.585.922
Effect of tax rate and regulation change	-	2.088.663	-	(347.696)	-	-	-	-	-	-	-	-	1.740.967
Depreciation transfer (Note 19)	-	(2.477.634)	-	-	-	-	-	-	-	-	-	2.477.634	-
Deferred income tax on depreciation transfer (Note 19)	-	495.527	-	-	-	-	-	-	-	-	-	-	495.527
31 December 2006	**44.951.051**	**58.126.400**	**175.848**	**3.584.770**	**2.662.140**	**26.895.405**	**5.169.966**	**4.500.149**	**7.838**	**(5.537.877)**	**28.585.922**	**70.717.210**	**239.838.822**

The accompanying explanatory notes are an integral part of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated.)

	Notes	1 January- 31 December 2007	1 January- 31 December 2006
Operating activities:			
Profit before taxation on income		53.128.181	25.285.505
Adjustments to reconcile net cash generated from operating activities to profit before taxation on income:			
Depreciation and amortisation	19-20	12.638.640	11.470.461
Interest income	38	(7.525.176)	(7.697.058)
Interest expense	39	4.655.147	4.332.998
Provision for employment termination benefits	23	759.917	675.607
Reversal of impairment on property, plant and equipment	38	(376.294)	-
Impairment on intangible assets	20	-	1.000.000
Impairment on available-for-sale investments	16	39.400	2.139.858
Management bonus provision relating to 2007	37-ii	1.350.000	-
Share of results of associates - net	16	(1.130.781)	(4.216.260)
Inventory profit elimination	16	165.204	135.312
Gain on sales of property, plant and equipment	38	(121.632)	(82.344)
Scrap loss on property, plant and equipment	38	-	2.068.113
Taxes paid		(9.226.619)	(6.771.754)
		54.355.987	28.340.438
Changes in assets and liabilities:			
Decrease in trade receivables	7	4.398.698	2.601.924
Increase in inventory	12	(13.641.376)	(5.830.625)
Increase in due from related parties	9	(14.406.809)	(2.901.734)
(Increase)/ decrease in other receivables and current assets	10-15	(2.508.850)	2.577.898
Increase in trade payables	7	4.830.148	8.772.665
Increase/ (decrease) in due to related parties	9	1.776.850	(323.797)
Decrease in other liabilities and advances received	15-21-23	(355.977)	(31.170)
Employment termination benefits paid	23	(447.883)	(475.780)
Net cash generated from operating activities		**34.000.788**	**32.729.819**
Investing activities:			
Interest received		7.687.719	8.131.888
Decrease in non-trade due from related parties	9	14.488.613	31.913.625
Purchases of property, plant and equipment and intangible assests	19-20	(21.581.574)	(21.495.808)
Capital increase in available- for-sales investments	16	(5.800.000)	(399.741)
Proceeds from sales of property, plant and equipment		613.317	1.347.790
Net cash (used in)/ generated from investing activities		**(4.591.925)**	**19.497.754**
Financing activities:			
Redemption of bank borrowings		(9.914.701)	(26.537.056)
Redemption of leasing obligations	8	(160.877)	(262.209)
Increase in non-trade due to related parties	9	8.175.000	-
Dividends and benefits paid to senior management	9.ii-h,i	(21.578.460)	(15.732.870)
Interest paid		(4.802.382)	(4.770.842)
Dividends received	16	2.289.262	267.853
Net cash used in financing activities		**(25.992.158)**	**(47.035.124)**
Net increase in cash and cash equivalent - net		**3.416.705**	**5.192.449**
Cash and cash equivalents at 1 January		7.179.963	1.987.514
Cash and cash equivalents at 31 December	4	**10.596.668**	**7.179.963**

The accompanying explanatory notes are an integral part of these financial statements.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The main operations of Pınar Süt Mamulleri Sanayi A.Ş. ("the Company") are the processing, production and sales of milk, dairy products, fruit juice, sauces and powder products. The Company's production facilities are located at İzmir - Pınarbaşı and Eskişehir - Organize Sanayi Bölgesi. The company headquarters is located in İzmir.

97% (2006: 96%) of sales and distribution of the Company's products in the domestic market are performed by its associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and its exports are performed by Yaşar Dış Ticaret A.Ş., ("Yataş") which are both Yaşar Group Companies (Note 9).

The Company is subject to the regulations of Capital Market Board ("CMB") and 37,95% (2006: 37,95%) of its shares are quoted on the Istanbul Stock Exchange ("ISE"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with %61,19 (2006: %61,19) shares of the Company. (Note 25).

The Company is registered in Turkey and the address of the registered office is as follows;

Şehit Fethi Bey Caddesi No: 120
Alsancak/ İzmir

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Accounting standarts

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

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

The financial statements and notes to financial statements are prepared in compliance with the alternative application and formats required by the CMB announcement dated 10 December 2004.

The financial statements have been prepared in terms of New Turkish Lira ("YTL") under the historical cost convention as modified by the revaluation of land, buildings, land improvements, machinery and equipment, investment property, financial assets and financial liabilities which are all stated at fair values. The investment in associate registered in Germany keeps its records in accordance with the applicable standards and laws and regulations in Germany, and certain adjustments and reclassifications including the application of consistent accounting policies for the purpose of fair presentation in accordance with CMB Accounting Standards are recognised.

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

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

2.2 Financial reporting in hyperinflationary periods

The financial statements are not adjusted for the effects of the inflation for the years ended 31 December 2007 and 2006.

2.3 Basis of Consolidation

The Company does not have any financial assets to be consolidated in the financial statements. The investments in associates are accounted for using the equity method. These are undertakings over which the Company has between 20% and 50% of the voting rights, or over which the Company has significant influence. The unrealised gains on transactions between the Company and its associated undertakings are eliminated to the extent of the Company's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

The table below sets out the associates and the proportion of ownership interest as of 31 December 2007 and 2006 (Note 16):

	Shareholding (%)	
Associates	**2007**	**2006**
YBP	31,95	31,95
Pınar Foods GmbH (“Pınar Foods”)	44,94	44,94
Pınar Anadolu Gıda San. ve Tic. A.Ş. (“Pınar Anadolu”)	20,00	20,00
Desa Enerji Elektrik Üretimi Otoprodüktör Grubu (“Desa Enerji”)	30,52	-

Foreign currency translation

i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

ii) Translation of financial statements of foreign associate

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

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

2.4 Comparatives and Restatement of Prior Year Financial Statements

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet as at 31 December 2007 on a comparative basis with balance sheet as at 31 December 2006; and statements of income, cash flows and changes in shareholders' equity for the period of 1 January 2007 - 31 December 2007 on a comparative basis with financial statements for the period 1 January 2006 - 31 December 2006.

Prior year adjustments are as follows:

a) According to International Accounting Standard 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), the management bonus paid to the management of the Company, should be recognised as a provision within the period in which such liability arises. Based on the General Assembly on 17 May 2007, it was decided to pay management bonus relating to the profit of 2006 to the senior management. In this respect, as the bonus accrual was not recognised in the financial statements at 31 December 2006, the accrual was reported as an adjustment to the opening balance of retained earnings as of 1 January 2007, without restating prior year financial statements on the grounds of materiality (see "the Statements of Changes in Shareholders' Equity").

b) The Company was identified that deferred income tax liability amounting to YTL1.321.047 with respect to the investment property was not recognised in previous years, and the impairment, amounting to YTL6.319.649, incurred in the subsequent years regarding to this investment property was recognised in the revaluation reserve instead of the income statement within the year in which such impairment incurred. Deferred income tax liability amounting to YTL1.321.047, was accounted for in the income statement for the period ended 31 December 2007, and the impairment loss after tax, amounting to YTL5.055.719 that was previously recognised in revaluation reserve, was charged against the retained earnings through crediting revaluation reserve and debiting retained earnings by YTL5.055.719 at 31 December 2007, without restating prior year financial statements on the grounds of materiality limits based the income statements and the shareholders equity (see "the Statements of Changes in Shareholders' Equity").

2.5 Offsetting

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

i. Revenue Recognation

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

Rent income is recognised on an accrual basis. Dividend income is recognised when the right to receive payment is established.

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

ii. Inventories

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

iii. Property, plant and equipment

The Company’s land, land improvements, buildings, machinery and equipment are stated at their fair values based on the valuations performed by the independent professional valuation companies Elit Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Ekspertiz ve Değerleme A.Ş. as of 31 December 2007. All other items of property, plant and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of YTL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less the subsequent depreciation and impairment loss, if any, as of 31 December 2007 (Note 19).

Increases in the carrying amount arising on the revaluation of property, plant and equipment are credited to the revaluation reserve in shareholders’ equity. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the statement of income.

Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of income) and the depreciation based on the asset’s original cost stated in terms of purchasing power of YTL at the prior years is transferred from retained earnings to the revaluation reserves.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii. Property, plant and equipment (Continued)

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

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

	Ratio (%)
Buildings and land improvements	2-6
Machinery and equipment	3-10
Motor vehicles (including leased motor vehicles)	20
Furniture and fixtures	10-20

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

Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate. On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Repairs and maintenance are charged to the statements of income during the financial period in which they are incurred. In case of a property, plant and equipment is expected to provide a better performance and economic benefit compared to the condition prior to the renovation, the expenses incurred after capitalisation are included the cost of the related asset. The Company derocognises the carrying amounts of the replaced parts based on expenses incurred after capitalisation regardless of whether the replaced parts had been depreciated separately. The expenses incurred after capitalisation which are included to the cost of the related assets are depreciated based on their useful lives.

iv. Intangible assets

Intangible assets comprise acquired rights, information systems and software. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of YTL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses if any. Residual values of intangible assets are deemed as negligible. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition. Where impairment indicator exists, the carrying amount of any intangible asset is assessed and an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use (Note 3.v and 20).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v. Impairment of assets

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

Impairment losses on assets can be reversed to the extent that increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss has been recognised for the asset in prior years provided that increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period in which the impairment losses were recognised.

vi. Borrowings and borrowings costs

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

vii. Financial assets

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

a) <u>Loans and receivables</u>

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

vii. Financial assets (Continued)

b) Available-for-sale financial assets

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

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

Change in fair value of available-for-sale investments is calculated as the difference between the discounted acquisition cost and the current fair value. As the financial asset is derecognised, the gain and loss on that financial asset is removed from equity and recognised in statements of income. If there is objective evidence that available for sale investments are impaired, such impairments arising from the difference between the acquisition costs and fair values, is directly recognised in the statement of income.

viii. Derivative financial instruments

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Foreign currency and interest expenses arising from the difference between the fair value of such instrument and the initial recognition is recognized in other income and expenses (Note 38) and finance expense (Note 39).

ix. Business combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method in the scope of IFRS 3, “Business Combinations”. However, if the parties involved for the transaction are the entities under common control, the provisions stated in IFRS 3 are not applicable for the transaction, and accordingly goodwill or negative goodwill are not be accounted for. The difference between the purchase consideration and the fair value of the net asset acquired was accounted for under equity as “Distribution to shareholders” (Note 32).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

x. Earning per share

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

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

xi. Subsequent events

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

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

xii. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; when it is probable that an outflow of resources will be required to settle the obligation; and when a reliable estimate of the amount can be made.

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities (Note 31).

xiii. Accounting policies, errors and changes in accounting estimates

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied (Note 2.4). The effect of change in accounting estimate shall be recognised prospectively by including it in the statement of income within the period of the change, if the change affects that period only; or period of the change and future periods, if the change affects both.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xiv. Leases

(1) The Company as the lessee

Finance leases

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments (Note 8). Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset (Note 19)

Operating leases

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

(2) The Company as the lessor

Operating leases

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

xv. Related parties

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

xvi. Segment reporting

The Company operates in milk and dairy products sector and total gross sales from these operations constitutes the 97% (2006: 97%) of total gross sales. Furthermore domestic sales constitutes the 93% (2006: 90%) of total gross sales, and 93% (2006: 91%) of sales and distribution of the Company's products in the domestic market are performed by its associate, YBP (Note 9) and operations other than in Turkey are not material enough to be reported separately (Note 33). In these respects, segment reporting is not applicable.

xvii. Construction contracts

None (2006: None).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xviii. Discountinued operations

None (2006: None).

xix. Government grants and incentives

None (2006: None).

xx. Investment property

Land and buildings that are held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at fair value under the fair value method. The Company continues to depreciate the property and to recognise any impairment losses that have occurred up to the date of change in use when an owner-occupied property becomes an investment property that will be carried at fair value. The Company treats any difference at that date between the carrying amount of the property under IAS 16 and its fair value in the same way as a revaluation under IAS 16. The investment properties are stated at fair values determined by the Elit Gayrimenkul Değerleme A.Ş. at 31 December 2007 (Note 18).

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

xxi. Taxes on income

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

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

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

xxii. Provision for employment termination benefits

In accordance with existing social legislation and Turkish Labor Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. Provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method. All actuarial gains and losses are recognised in the statements of income (Note 23).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxiii. Pension plans

None (2006: None).

xxiv. Agricultural operations

None (2006: None).

xxv. Goodwill and negative goodwill

None (2006: None) (Note 3.ix).

xxvi. Cash flow statement

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities (Note 43). Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investment activities indicate cash inflows and outflows resulting from property, plant and equipments, and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand accounts, bank deposits, mutual funds and loans originated by the Company by providing money directly to a bank under reverse repurchase agreements with a predetermined sale price at fixed future dates of less than or equal to 3 months (Note 4).

xxvii. Purchase and repurchase agreements ("Reverse repurchase agreements")

Securities sold under repurchase agreements ("repo") are recognised in the financial statements as a liability. Securities purchased under agreements to resell ("reverse repurchase agreements") are recorded as loans to banks in the financial statements.Where the original maturity of such loans are within three months, they are recognised in cash and cash equivalents. The difference between the purchase and resale price of these repurchase agreements is treated as interest income and accrued over the life of the reverse repurchase agreement (Note 4).

xxviii.Trade receivables and provision for impairment of receivables

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxix. Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on shares are recognised as an appropriation of the profit in the period in which they are declared.

xxx. Financial instruments and financial risk management

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

Risk management is carried out under policies approved by Board of Directors.

Market risk

i. Interest rate risk

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

ii. Foreign currency risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into YTL of foreign currency denominated assets and liabilities. The Company minimizes the risk through balancing foreign currency denominated assets and liabilities. These risks are monitored by Board of Directors and Audit Committee via analysis of the foreign currency position. When necessary derivative financial instruments are used as a tool to hedge the foreign exchange risk (Notes 6 and 29).

iii. Price risk

The operational profitability of the Company and the cash flows provided from the operations are affected by the rare milk prices which are changing according to the competition in the relevant market and the changes in the raw material prices. These relevant prices are followed up by the Company management and to averse the pressure of the costs on milk prices, precautions for cost amendment are taken. Price risk is monitored by Board of Directors and Audit Committee via regular meetings.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Due to the dynamic nature of the underlying businesses, existing and prospective debt requirements, the Company treasury aims to maintain flexibility in funding by keeping committed credit lines available. The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxx. Financial instruments and financial risk management (Continued)

Liquidity risk (Continued)

At 31 December 2007, the Company has long-term financial liabilities amounting to YTL30.832.351 (2006: YTL25.485.861) (Notes 6, 7, 8 and 9). At 31 December 2007, the Company has long-term financial assets including trade receivables, due from related parties and available-for-sale investments amounting to YTL54.609.032 (2006: YTL40.694.516) (Notes 7, 9 and 16).

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Company sells majority of the goods produced for the domestic market to its related party and associate, YBP, which performs sales and distribution of the Company's products in the domestic market. In this respect, these risks are monitored by the Company through YBP with credit ratings, limiting the aggregate risk from any individual counterparty and receiving guarantees when required. YBP manages those risks arising from sales to dealers and direct customers by limiting the aggregate risk from any individual counterparty and receiving guarantees when required (Note 9). Also the Company's exports are performed by another related party, Yataş, and those receivables are followed by the Company through Yataş. Trade receivables are evaluated by the Company management considering its past experiences and current economic conditions, and are recognized in the balance sheet, less the provision for impairment (Note 7).

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total liability (including borrowings, trade, due to related parties and other payables, as shown in the balance sheet) less cash and cash equivalents.

	31 December 2007	**31 December 2006**
Total liabilities	92.128.461	87.856.372
Less: Cash and cash equilavents (Note 4)	(10.596.668)	(7.199.963)
Net debt	81.531.793	80.656.409
Total shareholders' equity	288.108.223	239.838.822
Gearing ratio	**%28**	**%34**

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxxi. Fair value of financial instruments

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

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

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

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value. The fair values of certain financial assets carried at cost, including cash and due from banks, receivables and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for impairment and short-term receivables from related parties are considered to approximate their fair values. The fair values of long term receivables from related parties are disclosed in Note 9-i.b.

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

Financial liabilities

Fair values of bank borrowings are disclosed in Note 6.

The fair values of discounted short-term trade payables are considered to approximate their carrying values. Long-term borrowings denominated in foreign exchange are translated using year-end exchange rates and their fair values considered to be approximate to their respective carrying values. The fair values of due-to non-current related parties are disclosed in Note 9-i.d.

xxxii. Significant accounting estimates and decisions

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxxii. Significant accounting estimates and decisions (Continued)

Income taxes

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

Fair value determination of available-for-sale investments:

The generally accepted valuation techniques used in fair value determination of available-for-sale investments for which there is no quoted market price exists, consist of several assumptions, which are based on the management's best estimates (Note 16).

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2007		31 December 2006	
Cash in hand		20.496		17.056
Banks				
- Demand deposits		526.172		582.907
- YTL	460.225		449.669	
- Foreign currency	65.947		133.238	
Loans to bank		10.050.000		6.600.000
		10.596.668		**7.199.963**

As of 31 December 2007, foreign currency demand deposits consist of USD 38.720, EUR 11.457 and GBP 540, equivalent of YTL 65.947 (2006: USD 65.193 and EUR 22.470, equivalent of YTL 133.238) and cash in hand include foreign currency denominated balances, mainly USD 2.860 and EUR 4.640, equivalent of YTL 11.266 (2006: None). Effective weighted average interest rate of repurchase agreement maturing on 3 January 2008 (2006: 4 January 2007) is 16,60% per annum ("p.a.") (31 December 2006: 19,00% p.a.).

Cash and cash equivalents for purposes of cash flow statement are as follows:

	31 December 2007	31 December 2006
Cash and cash equivalents	10.596.668	7.199.963
Blocked deposits	-	(20.000)
Cash and cash equivalents	**10.596.668**	**7.179.963**

NOTE 5 - MARKETABLE SECURITIES

None (2006: None).

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

NOTE 6 - FINANCIAL LIABILITIES

	Effective weighted average interest rate p.a. %		Original currency		YTL equivalent	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Short-term bank borrowings:						
YTL borrowings (*)	-	12,50	607.291	1.291.561	607.291	1.291.561
USD borrowings	-	7,17	-	1.906.214	-	2.679.374
					607.291	**3.970.935**
Short –term portion of long-term bank borrowings:						
USD borrowings (**)	9,13	9,03	2.761.292	5.295.265	3.216.077	7.443.024
EUR borrowings (***)	8,24	6,23	742.289	785.831	1.269.463	1.454.966
Short-term derivative financial liabilities:						
Cross currency swaps	-	-			501.095	622.340
					4.986.635	**9.520.330**
Total short-term borrowings					**5.593.926**	**13.491.265**
Long –term borrowings:						
EUR borrowings (***)	9,96	8,44	6.440.236	6.944.896	11.014.091	12.858.475
USD borrowings (**)	-	10,37	-	845.200	-	1.188.013
Long-term derivative financial liabilities:						
Cross currency swaps	-	-		-	1.432.800	585.000
Total long–term financial liabilities					**12.446.891**	**14.631.488**

(*) YTL denominated short-term bank borrowings are comprised of spot borrowings without interest charge as of 31 December 2007.

(**) USD denominated bank borrowings mainly consist of quarterly and semi-annually floating interest rates between Libor+%3,5 - %5 (2006: quarterly and semi-annually floating interest rates between Libor+%3,5 - %5).

(***) EUR denominated bank borrowings mainly consist of quarterly and semi-annually floating interest rates between Euribor+%0,75 - %5,60 (2006: quarterly and semi-annually floating interest rates Euribor+%0,75 - %5).

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

In relation to the loan with an amount of USD 1.875.000 totally equivalent to YTL 2.183.813 obtained from an international financial institution as of 31 December 2007, and with respect to scope of the general loan agreement signed; there are particular financial ratios which the Company and other group companies obtained loan has to comply with jointly. As the other group companies have breached some conditions of related loan agreement on or before the balance sheet date at 31 December 2007, the Company classified its long-term financial liabilities amounting USD 625.000 (equivalent to YTL 727.938) as current. The Company makes principal and interest payments of the related borrowing in accordance with the current redemption schedule as of 31 December 2007.

With respect to a loan agreement undersigned on 27 September 2006 between the Group and Morgan Stanley International Limited, the Company received a borrowing amounting to EUR6.000.000 with a maturity date of 27 September 2013 between Morgan Stanley Bank International Limited, Morgan Stanley & Co.International Limited and other guarantor Yaşar group companies (Yaşar Holding A.Ş., Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş.), the Group signed a cross currency swap agreement with Morgan Stanley & Co. International Limited together with the undersigned International Swaps and Derivatives Association (“ISDA”) master agreements, related appendices and corresponding swap confirmation documents. In line with this agreement, the Company swapped the borrowing amounting to EUR 6.000.000 with the interest rate of Euribor +5,60% p.a., with a currency swap amounting to YTL 11.694.000, using the interest rate of YTL swap curve +8,50% p.a.. The gain or loss relating to the cross currency swaps is recognised in the income statement under other income/ (expenses) (Note 38) and finance expenses (Note 39). The notional principal amount of the cross currency swap amounts to YTL 21.955.200 (2006: YTL 22.803.000) as at 31 December 2007.

With respect to the scope of the loan agreement signed with Morgan Stanley International Limited regarding borrowing amounting to EUR6.000.000; there are particular financial ratios which the main shareholder, Yaşar Holding A.Ş., has to comply. Based on the unaudited consolidated financial statements of Yaşar Holding A.Ş. as of 31 December 2007, the Company management expects to meet those financial ratios.

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

The redemption schedules plan of principal amounts of long-term bank borrowings at 31 December 2007 are as follows:

1-2 years	215.112
2 years and over (last payment in 2013)	12.231.779
	12.446.891

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The carrying amounts of the bank borrowings with floating and fixed rates which were classified in terms of periods remaining to contractual repricing dates as at 31 December 2007 and 2006 are as follows:

	Up to 3 months	3 months to 1 year	Total
- 31 December 2007:			
Bank borrowings with floating rates	14.021.461	2.441.070	16.462.531
Bank borrowings with fixed rates	-	-	1.578.286
Total			**18.040.817**
- 31 December 2006:			
Bank borrowings with floating rates	17.536.333	5.452.548	22.988.881
Bank borrowings with fixed rates	-	-	5.133.872
Total			**28.122.753**

According to the interest rate sensitivity analysis performed as at 31 December 2007, if interest rates on bank borrowings had been 1% higher while all other variables being constant, net income for the current year would be YTL156.199 lower (2006: YTL219.797 lower), as a result of additional interest expense that would be incurred on bank borrowings with floating rates.

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

	Carrying Amounts		Fair Values	
	2007	2006	2007	2006
Bank borrowings	18.040.817	28.122.753	18.209.140	29.482.100

The fair values are based on cash flows discounted using weighted average interest rates of 4,80% p.a., 4,53% p.a. and 16,74% p.a. for EUR, USD and YTL denominated bank borrowings as of 31 December 2007, respectively (2006: 3,91% p.a., 5,16% p.a. and 16,17% p.a. for EUR, USD and YTL denominated bank borrowings, respectively).

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2007	31 December 2006
a) Short-term trade receivables:		
Customer current accounts	1.110.007	1.985.268
Cheques and notes receivable	3.797.308	7.203.720
Other	42.773	191.229
	4.950.088	9.380.217
Less: Unearned finance income	(78.631)	(110.114)
Provision for impairment of receivables	(37.430)	(37.430)
	4.834.027	**9.232.673**

Trade receivables are mainly resulted from sales of milk and dairy products.

The effective weighted average interest rate on short-term trade receivables is 16,10% p.a. as of 31 December 2007 (2006: 18,86% p.a.). Customer current accounts and notes receivable mature within one and two months (2006: one and two months), respectively.

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

The agings of notes receivables are as follows:

0-30 days	2.269.242	4.723.244
31-60 days	845.339	2.244.404
61-90 days	-	236.072
91 days and over	682.727	-
	3.797.308	**7.203.720**

<u>The aging analysis of trade receivables</u>

The aging of trade receivables as of 31 December 2007 and 2006 are as follows;

	31 December 2007	31 December 2006
Overdue	339.034	517.364
0-30 days	2.859.575	5.622.590
31-60 days	996.228	2.864.952
61-90 days	-	227.767
91days and over	639.190	-
	4.834.027	**9.232.673**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

a) Short-term trade receivables (Continued):

The aging analysis of trade receivables (Continued)

As of 31 December 2007, trade receivables of YTL339.034 (2006: YTL517.364), over which no provision for impairment is provided, were past due and the Group holds collateral of YTL170.280 (2006: YTL85.000) as security for such receivables. The excess of trade receivables over guarantees received amounted to YTL168.754 as of 31 December 2007 (2006: YTL432.364). The Company management does not expect any collection risk regarding those receivables considering its past experience.

The aging analysis of trade receivables past due as of 31 December 2007 is as follows:

	31 December 2007	**31 December 2006**
0-3 months	309.704	360.364
3-6 months	29.330	138.873
6 months and over	-	18.127
	339.034	**517.364**

The movements in the provision for impairment of receivables for the years ended 31 December 2007 and 2006 are as follows:

	2007	**2006**
1 January	**37.430**	**39.469**
Collections (Note 38-i)	-	(2.039)
31 December	**37.430**	**37.430**

b) Long term trade receivables:

Deposits and guarantees given	2.587	2.639
	2.587	**2.639**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2007	31 December 2006
c) Short term trade payables:		
Supplier current accounts	44.428.796	39.152.356
Cheques in collection	-	25.001
	44.428.796	39.177.357
Less: Unincurred finance cost	(357.456)	(419.651)
	44.071.340	**38.757.706**

At 31 December 2007, the effective weighted average interest rate for short term trade payables is 15,67 % p.a. (2006: 18,88% p.a.) and maturities are less than 4 months (2006: less than 4 months).

d) Long term trade payables:		
Supplier current accounts	9.772.296	10.292.094
Deposits and guarantees received	302.161	265.849
	10.074.457	**10.557.943**

Long term trade payables amounting to YTL 5.714.124 (2006: Euro 5.558.787) consist of the tangible and intangible asset purchases and the effective weighted average interest rate is 5,65% p.a. (2006: 5,15 % p.a.).

The redemption schedule of long-term trade payables as of 31 December 2007 and 2006 is as follows:

	31 December 2007	31 December 2006
1-2 years	3.343.199	3.090.857
2 years and over (last payment in 2013)	6.429.097	7.201.237
	9.772.296	**10.292.094**

NOTE 8 - LEASING RECEIVABLES AND OBLIGATIONS

	31 December 2007	31 December 2006
Short term financial leasing	138.878	139.328
Long term financial leasing	136.003	296.430
	274.881	**435.758**

At 31 December 2007, financial leasing consist of EUR 160.702 and USD 44 (2006: EUR 235.317, USD 44 and YTL 8). The average weighted interest rate for leasing obligations is 8,64% p.a. (2006: 8,64 p.a.), assuming the carrying values approximate their fair values.

The redemption schedule of long-term leasing obligations at 31 December 2007 is as follows:

2009	135.607
2010	396
	136.003

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties and due to related parties balances and the transactions with related parties as of and for the years ended 31 December 2007 and 2006 are as follows:

i) Related parties balances:

a) <u>Due from related parties - current</u>

	31 December 2007	31 December 2006
YBP	39.857.710	46.551.208
Yataş	6.374.974	3.972.399
DYO Matbaa Mürekkepleri San. Ve Tic. A.Ş. (“DYO Matbaa”)	1.004.313	-
Yaşar Bilgi İşlem ve Ticaret A.Ş. (“Yabim”)	591.170	-
Other	240.186	51.226
	48.068.353	50.574.833
Less: Unearned finance income	(275.839)	(218.888)
Provision for doubtful receivables	(186.874)	(186.874)
	47.605.640	**50.169.071**

At 31 December 2007, the effective weighted average interest rate of the short term YTL denominated trade receivables from due from related parties is 15,38% p.a. (2006: 19,01% p.a.) and the maturities are less than 2 months (2006: less than 2 months).

YTL 4.572.087 of the Company's short-term receivables (2006: YTL10.641.283) and YTL15.786.921 of long-term receivables (2006: YTL 13.467.837), in total, YTL20.359.008 (2006: YTL24.109.120) from related parties consist of loans obtained from various banks and financial institutions by the Company, and were transferred to related parties with the same conditions. Effective weighted average interest rates applied to USD, EUR and YTL denominated due from related parties are 9,13% p.a., 9,79% p.a. and 25,32% p.a. respectively (2006: USD, EUR and YTL is 8,80% p.a., 6,98% p.a. and 12,50% p.a. respectively) (Note 29).

The Company sells a substantial portion of its products to its related party and associate, YBP, which is the general distributor of the Company in Turkey.

YTL3.270.789, YTL781.357 and YTL519.941 of short term receivables from Yataş, Dyo Matbaa and Yabim, respectively, consist of the principals and interest accruals of borrowings obtained by the Company and transferred to these companies with the same conditions. (2006: YTL10.641.283 of the current receivable from YBP is related to principals and interest accruals of borrowings obtained by the Company and transferred to YBP with the same conditions. The Company has another non-trade receivable of YTL10.738.501 from YBP). YTL3.104.185 (2006: YTL3.972.399) of short-term trade receivables from Yataş are originated from exports.

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

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

i) Related parties balances (Continued):

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

The aging analysis of trade receivables from related parties

The aging of trade receivables from related parties as of 31 December 2007 and 2006 are as follows:

	31 December 2007	**31 December 2006**
Overdue	1.001.923	1.930.481
0-30 days	38.953.399	24.179.282
31-60 days	3.078.231	2.679.524
	43.033.553	**28.789.287**

The aging of overdue trade receivables from related parties as of 31 December 2007 and 2006 are as follows:

	31 December 2007	**31 December 2006**
0-3 months	930.695	1.911.294
3-6 months	71.228	165
6 months and over	-	19.022
	1.001.923	**1.930.481**

Movements in the provision for impairment of receivables from related parties for the years ended 31 December 2007 and 2006 are as follows:

	2007	**2006**
1 January	**186.874**	**445.222**
Collections during the year (Note 38-i)	-	(258.348)
31 December	**186.874**	**186.874**

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

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

i) Related parties balances (Continued):

b) Due from related parties - non-current:

	31 December 2007	31 December 2006
DYO Matbaa	11.694.000	-
Yataş	3.815.716	-
Yabim	277.205	-
YBP	-	13.467.837
	15.786.921	**13.467.837**

The Company's long-term receivables from related parties consist of loans obtained from various banks and financial institutions by the Company, and were transferred to related parties with the same conditions. Effective weighted average interest rate is 25,32% p.a. (2006: USD, EUR and YTL denominated balances are 10,37% p.a., 8,42% p.a. and 28,75% p.a., respectively). The fair value of these long-term receivables is YTL15.867.119 (2006: YTL14.583.969) and interest rate used in the fair value calculation is 16,74% p.a. (2006: 4,61% p.a., 3,99% p.a. and 15,88% p.a. for USD, EUR and YTL denominated long-term receivables, respectively).

Redemption schedule of non-current receivables from related parties is as follows:

	31 December 2007	31 December 2006
1-2 years	-	1.773.837
2 years and over (last payment in 2013)	15.786.921	11.694.000
	15.786.921	**13.467.837**

c) Due to related parties -current:

	31 December 2007	31 December 2006
Yadex Export-Import und Spedition GmbH ("Yadex")	4.955.491	6.161.475
Çamlı Yem Besicilik San. ve Tic. A.Ş. ("Çamlı Yem")	1.648.619	184.148
Yaşar Üniversitesi (Dipnot 9.ii.k)	1.004.248	4.248
Yaşar Holding A.Ş.	922.021	-
Desa Enerji	661.411	718.616
Hdf FZ Co. ("Hdf")	536.658	890.887
Debt to employees	156.004	89.102
Other	652.304	702.710
	10.536.756	8.751.186
Less: Unearned finance cost	(18.200)	(9.480)
	10.518.556	**8.741.706**

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

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

i) Related parties balances (Continued):

c) Due to related parties -current (Continued):

YTL5.492.149 (2006: YTL7.052.362) of due to related parties is the payable to Yadex and Hdf arising from import transactions conducted by these companies on behalf of the Company.

The effective weighted average interest rate on short-term due to related parties is 15,25% p.a. as of 31 December 2007 (2006: 19,02% p.a.) and the terms are two months (2006: two months).

d) Due to related parties - non-current:

	31 December 2007	31 December 2006
Çamlı Yem	8.175.000	-
	8.175.000	**-**

Due to current related parties includes the principals and interest accruals of borrowing obtained from a financial institution borrowed by Çamlı Yem (2006: None) and transferred to the Company with the same conditions, amounting to YTL8.175.000. The maturity of such borrowing is in 2013, and the effective interest rate is 25,32% p.a.. Fair value of this loan is YTL 8.216.529 and interest rate used in the fair value calculation is 16,74% p.a..

ii) Transactions with related parties:

a) Product sales:

	1 January - 31 December 2007	1 January - 31 December 2006
YBP	392.255.118	294.716.311
Yataş	31.778.753	35.214.212
Pınar Et	476.936	879.052
Other	416.368	400.584
	424.927.175	**331.210.159**

A substantial portion of the sales and distribution of the Company’s products in the domestic market are performed by its associate, YBP, and its exports are performed by Yataş.

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

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

ii) Transactions with related parties (Continued):

b) <u>Service sales:</u>

	1 January - 31 December 2007	1 January - 31 December 2006
Çamlı Yem	285.657	202.698
Pınar Et	229.503	112.416
YBP	197.262	112.630
Yaşar Holding A.Ş.	156.539	116.518
Pınar Anadolu	3.362	36.852
Other	76.955	188.759
	949.278	**769.873**

c) <u>Product purchases:</u>

Çamlı Yem	15.138.622	15.939.263
Desa Enerji	7.185.099	6.769.150
Yadex	6.218.209	9.432.612
Hdf	3.963.839	-
Hedef Ziraat	1.397.351	1.001.454
Pınar Anadolu	407.982	528.427
Other	72.178	24.340
	34.383.280	**33.695.246**

The Company imports raw materials through its related parties, Yadex and HDF, purchases steam and electricity from Desa Enerji, and purchases seeds from Çamlı Yem to sell its milk suppliers.

d) <u>Service purchases:</u>

Yaşar Holding A.Ş.	3.819.125	2.660.927
YBP	2.453.994	2.664.411
Yataş	952.056	1.040.201
Hdf	616.989	965.590
Bintur Turizm ve Catering Hizmetleri A.Ş. (“Bintur Turizm”)	237.401	2.306.235
Other	130.398	136.982
	8.209.963	**9.774.346**

The Company’s service purchases from YBP are related to transportation, promotion and advertisement. Service purchases from Yaşar Holding are consultancy, research and development services.

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

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

ii) Transactions with related parties (Continued):

e) <u>Financial expenses:</u>

	1 January - 31 December 2007	1 January - 31 December 2006
Yaşar Holding A.Ş.	329.444	470.338
Çamlı Yem	52.052	-
Other	125.758	399
	507.254	**470.737**

The finance expense of mainly consists of bail commission charges, which is related with the transferred loans and borrowings obtained by the Company from international capital markets and various financial institutions with the guarantee of the Yaşar Group companies as explained in Note 31. The bail commission rate used in the calculation of bail expenses is 0,75% p.a. (2006: %0,75 p.a.).

f) <u>Financial income</u>:

YBP	1.372.504	5.658.837
Yaşar Holding A.Ş.	964.173	815.643
Yataş	724.810	-
DYO Matbaa	305.573	-
DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("DYO Boya")	235.745	-
Yabim	59.461	-
Çamlı Yem	48.184	233.254
Other	155.932	298.329
	3.866.382	**7.006.063**

The finance income is composed of bail commission charges amounting to YTL 1.412.710 (Note 38), for the borrowings obtained by the Yaşar Group companies from international capital markets and various financial institutions with the guarantee of the Company as explained in Note 31. The bail commission rate (Note 39) used in the calculation of bail income is 0,75% p.a. (2006: %0,75 p.a.).

Based on the examination performed by the CMB during 2006 related to the previous years, on 22 January 2007, the CMB announced that the Company has to calculate the amount of uncharged bail expenses regarding the transfer loans in the prior years previously invoiced to the Company by Yaşar Holding and then issue invoices amounting to YTL 4.000.302 in 2006 for the principal and the overdue interest on the uncharged bail expenses, to the related group companies (Note 38-i).

Some portion of financial income consist of interest income from borrowings taken by the Company and transferred to related parties and interest cost income from trade and non-trade receivables.

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

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

ii) Transactions with related parties (Continued):

g) Other income:

	1 January - 31 December 2007	1 January - 31 December 2006
YBP	642.906	457.845
Other	119.524	56.576
	762.430	**514.421**

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

h) Key management compensation:

Salaries and other short-term benefits	1.716.366	1.358.336
Bonus paid to senior management (Note 2.4)	-	1.800.000
	1.716.366	**3.158.336**

Based on the decision of General Assembly dated 17 May 2007, the Company paid dividends to the senior management amounting to YTL1.800.000 from the profit of 2006.

i) Dividends paid:

Yaşar Holding A.Ş.	12.102.440	3.629.815
Yapaş A.Ş.	-	5.996.325
Other	7.676.020	6.106.730
	19.778.460	**15.732.870**

j) Dividends received:

Pınar Et	1.799.078	1.362.938
YBP	1.732.393	-
Pınar Anadolu	556.869	267.853
Pınar Su Sanayi ve Ticaret A.Ş. (“Pınar Su”)	380.666	-
Çamlı Yem	178.783	-
Bintur	8.871	-
	4.656.660	**1.630.791**

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

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

ii) Transactions with related parties (Continued):

k) Donations:

	1 January - 31 December 2007	1 January - 31 December 2006
Yaşar Üniversitesi (Dipnot 38-ii)	1.000.000	-
	1.000.000	**-**

l) Purchase of property, plant and equipment:

Çamlı Yem	8.175.000	-
Desa Otak	-	377.334
Yaşar Holding A.Ş.	-	131.536
Other	53.970	11.263
	8.228.970	**520.133**

Purchase of property, plant and equipment from Çamlı Yem is composed of land and building purchase.

m) Guarantees given:

The Company jointly guarantees with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR 313 millions equivalent of YTL 535.292.600 as of 31 December 2007 (2006: YTL 579.519.500) (Note 31).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2007	31 December 2006
Other short term receivables:		
Value Added Tax (“VAT”) receivables	2.219.219	10.000
Other	226.004	25.944
	2.445.223	**35.944**

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

NOTE 11 - BIOLOGICAL ASSETS

None (2006: None).

NOTE 12 - INVENTORIES

	31 December 2007	31 December 2006
Raw materials	15.346.553	11.255.873
Raw materials in-transit	1.716.206	-
Work-in-progress	5.092.692	5.433.398
Finished goods	11.441.074	8.233.738
Merchandise stocks	892.326	954.445
Promotion stocks	95.399	705.667
Order advances given	5.993.895	712.704
Spare parts	2.321.193	1.962.137
	42.899.338	**29.257.962**

The cost of materials recognised as expense and included in cost of goods sold amounted to YTL303.902.640 (2006: YTL233.100.617).

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

None (2006: None).

NOTE 14 - DEFERRED INCOME TAX ASSETS AND LIABILITIES

The Company calculates deferred income tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Accounting Standards and their statutory financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in the following periods under the liability method using the enacted tax rate of 20% (2006: 20%).

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2007 and 2006 using the enacted tax rates is as follows:

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

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

	31 December 2007		31 December 2006	
	Cumulative temporary differences	**Deferred income tax assets/ (liabilities)**	**Cumulative temporary differences**	**Deferred income tax assets/ (liabilities)**
Restatement difference on property, plant and equipment	32.978.019	(6.595.604)	39.361.293	(7.872.259)
Revaluation of buildings	31.881.023	(6.376.205)	23.729.495	(4.745.899)
Depreciation difference calculated on the new economic useful lives	21.537.848	(4.307.570)	17.710.669	(3.542.134)
Revaluation of property, plant and equipment	12.957.731	(2.591.546)	10.625.645	(2.125.129)
Revaluation on lands	46.566.280	(2.328.314)	31.892.280	(1.594.614)
Fair value reserves of available-for-sale investments	18.085.007	(904.250)	6.953.924	(347.696)
Restatement difference on intangible assets	1.774.445	(354.889)	2.011.968	(402.394)
Restatement difference on inventories	243.168	(48.634)	321.903	(64.381)
Impairment on machinery and equipment	(3.926.023)	785.205	(4.523.640)	904.728
Provision for employment termination benefits (Note 23)	(3.201.538)	640.308	(2.889.504)	577.901
Provision for bonus accruals (Note 23-a)	(1.350.000)	270.000	-	-
Deferred income tax calculated on available-for-sale investments	(1.179.147)	235.829	(3.996.471)	799.294
Impairment on intangible assets (Note 20)	(1.000.000)	200.000	(1.000.000)	200.000
Provision for litigations (Note 23)	(193.530)	38.706	(358.032)	71.606
Provision for doubtful receivables (Note 9)	(186.874)	37.375	(186.874)	37.375
Other	(93.448)	18.690	99.041	(19.808)
Deferred tax assets		2.226.113		2.590.904
Deferred tax liabilities		(23.507.012)		(20.714.314)
Deferred tax liabilities- net		**(21.280.899)**		**(18.123.410)**

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

	2007	**2006**
1 January	**(18.123.410)**	**(28.342.133)**
Charged to fair value reserve of available-for-sale investments (Note16)	(657.314)	(347.696)
(Charged)/ credited to revaluation reserve (Note 19)	(1.509.376)	2.584.190
(Charged)/ credited to statement of income (Note 41)	(990.799)	7.982.229
31 December	**(21.280.899)**	**(18.123.410)**

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

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

	31 December 2007	31 December 2006
a) Other current assets:		
Prepaid expenses	673.071	568.502
Other	3.885	8.883
	676.956	**577.385**
b) Other non-current assets:		
Prepaid expenses	45.607	45.607
	45.607	**45.607**
c) Other short term liabilities:		
Taxes and funds payable	965.818	1.113.799
Payables arising from the sponsorship agreement	-	100.000
Other	7.592	7.358
	973.410	**1.221.157**

NOTE 16 - FINANCIAL ASSETS

	31 December 2007	31 December 2006
Available-for-sale investments	38.819.524	27.224.040
Investments in associates	27.013.473	24.070.193
	65.832.997	**51.294.233**

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

NOTE 16 - FINANCIAL ASSETS (Continued)

a) Available-for-sale investments:

	31 December 2007		31 December 2006	
	YTL	Shareholding %	YTL	Shareholding %
Pınar Et	23.987.708	12,58	14.719.730	12,58
Çamlı Yem	6.310.194	5,47	8.441.943	5,59
Pınar Su	7.630.620	8,81	3.635.766	8,81
Yataş	797.711	1,96	293.910	1,96
Bintur Turizm	73.930	1,33	113.330	1,33
Desa Enerji	-	-	-	15
Other	19.361	-	19.361	-
	38.819.524		**27.224.040**	

Pınar Et and Pınar Su were stated at quoted market prices as they are listed on ISE; Yataş, Bintur Turizm and Çamlı Yem, were stated at their fair values which are determined based on the discounted cash flows.

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

	2007	2006
1 January	**27.224.040**	**24.610.784**
Additions:		
Desa Enerji- capital increase	5.800.000	-
Yataş- capital increase	-	399.741
Reclassification to associates:		
Desa Enerji	(5.800.000)	-
Fair value gain/ (loss):	**11.634.884**	**4.353.373**
Pınar Et	9.267.978	2.180.700
Pınar Su	3.994.854	673.290
Yataş	503.801	-
Çamlı Yem	(2.131.749)	1.499.383
Impairment loss (Note 38):	**(39.400)**	**(2.139.858)**
Bintur	(39.400)	(20.877)
Desa Enerji	-	(2.013.150)
Yataş	-	(105.831)
31 December	**38.819.524**	**27.224.040**

(**) The Company has participated into the capital increase of Desa Enerji in accordance with the decision of the board of directors, dated 4 and 5 September 2007. Accordingly, as the participation rate of the Company in Desa Enerji is increased to 30,52%, Desa Enerji is accounted for as an associate as of 31 December 2007.

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

NOTE 16 - FINANCIAL ASSETS (Continued)

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

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

	2007	2006
1 January	**3.584.770**	**(420.907)**
Change in fair value of Pınar Et	9.267.978	2.180.700
Change in fair value of Pınar Su	3.994.854	673.290
Change in fair value of Yataş	503.801	-
Change in fair value of Çamlı	(2.131.749)	1.499.383
Deferred income tax on fair value reserves of available-for-sale investments (Note 14)	(657.314)	(347.696)
31 December	**14.562.340**	**3.584.770**

b) Investments in associates:

	31 December 2007		31 December 2006	
	YTL	Shareholding %	YTL	Shareholding %
YBP	24.516.968	31,95	22.002.745	31,95
Pınar Foods	1.418.000	44,94	1.194.305	44,94
Pınar Anadolu	975.900	20,00	873.143	20,00
Desa Enerji	102.605	30,52	-	-
Total	**27.013.473**		**24.070.193**	

Movements in associates balances during the year are as follows:

	2007	2006
1 January	**24.070.193**	**17.460.357**
Share of results of associates - before tax (Note 38-i)	6.828.176	4.216.260
Reclassification from available-for-sale investments - Desa Enerji	5.800.000	-
Share of loss of associate – before tax (Note 38-ii)	(5.697.395)	-
Share of taxation (Note 41)	(1.282.146)	1.612.037
(Decrease)/ increase in fair value reserves of associates - net	(404.310)	1.200.374
Currency translation reserve	(20.554)	16.468
Dividend income	(2.289.262)	(267.853)
Increase/ (decrease) in revaluation reserve of associates - net	173.975	(32.138)
Inventory profit elemination	(165.204)	(135.312)
31 December	**27.013.473**	**24.070.193**

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

NOTE 16 - FINANCIAL ASSETS (Continued)

b) Investments in associates (Continued):

Movements in revaluation reserve of associates are as follows:

	2007	**2006**
1 January	**175.848**	**207.986**
Revaluation reserve change - net (YBP)	173.975	(32.138)
31 December	**349.823**	**175.848**

The financial information of the investments-in-associates are as follows:

	2007			**2006**		
	Assets	**Liabilities**	**Profit for the year**	**Assets**	**Liabilities**	**Profit for the year**
- YBP	201.112.170	123.436.163	14.528.182	216.271.088	146.981.395	14.905.957
- Pınar Foods	7.167.448	4.012.129	744.937	4.795.385	2.137.834	612.069
- Pınar Anadolu	7.451.583	2.572.085	3.298.118	7.078.743	2.713.016	3.105.887
- Desa Enerji	13.253.039	12.916.849	(5.738.715)	-	-	-

NOTE 17 - POSITIVE/ NEGATIVE GOODWILL

None (2006: None).

NOTE 18 - INVESTMENT PROPERTY

	1 January 2007	**Additions**	**Disposals**	**Fair value loss charged to revaluation fund (Note 19)**	**31 December 2007**
Fair Value:					
Buildings	1.058.751	-	-	(98.725)	960.026
Net book value	**1.058.751**				**960.026**

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

Investment properties are stated at fair values determined by Elit Gayrimenkul Değerleme A.Ş at 31 December 2007.

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

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and accumulated depreciation for the period 1 January- 31 December 2007 are as follows:

	1 January 2007	Additions	Disposals	Revaluation	Reversal of impairment (Note 38-i)	Transfers	31 December 2007
Cost or valuation							
Land	36.244.000	3.988.950	-	14.674.000	-	-	54.906.950
Buildings and land improvement	77.917.554	4.769.613	-	2.980.534	-	1.442.747	87.110.448
Machinery and equipment	177.535.987	7.976.411	(945.132)	3.414.590	376.294	302.487	188.660.637
Motor vehicles	6.644.318	2.292	(834.862)	-	-	-	5.811.748
Leased motor vehicles	2.223.121	-	-	-	-	-	2.223.121
Furnitures and fixtures	28.872.889	4.021.447	(271.885)	-	-	147.744	32.770.195
Construction in progress and advances given	1.676.269	781.469	-	-	-	(1.892.978)	564.760
Total Cost	**331.114.138**	**21.540.182**	**(2.051.879)**	**21.069.124**	**376.294**	**-**	**372.047.859**
Accumulated depreciation:							
Buildings and land improvement	(25.024.115)	(2.132.675)	-	-	-	-	(27.156.790)
Machinery and equipment	(96.478.115)	(6.681.937)	548.115	-	-	-	(102.611.937)
Motor vehicles	(6.154.563)	(160.285)	813.272	-	-	-	(5.501.576)
Leased motor vehicles	(534.174)	(286.575)	-	-	-	-	(820.749)
Furnitures and fixtures	(19.808.086)	(2.235.929)	198.807	-	-	-	(21.845.208)
	(147.999.053)	**(11.497.401)**	**1.560.194**				**(157.936.260)**
Net book value	**183.115.085**						**214.111.599**

The Company has given mortgages amounting to YTL 33.186.893 as of 31 December 2007 (2006: YTL 52.460.684) for loans obtained from several financial institutions (Note 31). The major additions to property, plant and equipment in 2007 related to the modernisation of production line and the land and building purchase from Çamlı Yem. (Not 9.ii-l)

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

NOT 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

NOT 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

YTL 8.456.881 (2006: YTL 7.269.465) of depreciation and amortisation expenses were charged to costs of production, YTL 2.676.375 (2006: YTL 2.716.579) to selling and marketing costs (Note 37), YTL 1.368.701 (2006: YTL 1.369.493) to general administrative expenses (Note 37) and YTL 136.683 (2006: YTL 114.924) to research and development expenses.

Market Valuation

The Company's land, land improvements and buildings previously revalued as at 31 December 2004, was updated as of 31 December 2007 by the independent professional valuation company. Additionally, valuation of machinery and equipment previously performed as at 31 December 2005, were updated as of 31 December 2007 by the independent professional valuation company. Revaluations of land were based on comparisons with similar buying/selling transactions nearby whereas revaluations of land improvements and buildings were derived from the present situations of the construction investments and market values. The market values of the machinery and equipment are determined based on depreciated replacement costs.

Movements in revaluation reserve related to land, land improvements, buildings, machinery and equipment in 2007 and 2006 were as follows:

	2007	2006
1 January	**58.126.400**	**58.019.844**
Transfer of impairment of the investment property previously classified as owner occupied property - net (Note 2.4)	5.055.719	-
Increase in revaluation reserve arising from revaluation of land, land improvements and buildings	19.145.745	-
Decrease in revaluation reserve arising from revaluation of land, land improvements and buildings	(1.491.211)	-
Increase in revaluation reserve arising from revaluation of machinery, plant and equipment	3.540.407	-
Decrease in revaluation reserve arising from revaluation of machinery, plant and equipment	(125.817)	-
Deferred income tax calculated on depreciation transfer	483.604	495.527
Depreciation on revaluation reserves transfered from retained earnings	(2.418.020)	(2.477.634)
Deferred income tax calculated on increase in revaluation reserve	(1.992.980)	-
Decrease in revaluation reserve arising from revaluation of investment property (Note 18)	(98.725)	-
Effect of the tax rate and regulations change (Note 14)	-	2.088.663
31 December	**80.225.122**	**58.126.400**

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

NOTE 20 - INTANGIBLE ASSETS

Movements of intangible assets in 2007 were as follows:

	1 January 2007	Additions	31 December 2007
Cost:			
Rights	10.155.520	41.392	10.196.912
Less: Accumulated amortisation	(6.080.545)	(1.141.239)	(7.221.784)
Net book value	**4.074.975**		**2.975.128**

The movements of intangible assets in 2006 were as follows:

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

NOTE 21 - ADVANCES RECEIVED

None (2006: YTL 19.349).

NOTE 22 - PENSION PLANS

There are no pension plans of the company (2006: None).

NOTE 23 - PROVISONS

	31 December 2007	31 December 2006
a) Short-term provisions		
Current income tax liabilities (Note 41)	2.409.603	441.143
Management bonus accruals from profit of 2007	1.350.000	-
Provision for litigations	193.530	358.032
Other	100.463	24.842
	4.053.596	**824.017**
b) Long-term provisions		
Provision for employment termination benefits	3.201.538	2.889.504
	3.201.538	**2.889.504**

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

NOTE 23 - PROVISIONS (Continued)

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

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

The amount payable consists of one month's salary limited to a maximum of YTL 2.030,19 for each year of service as of 31 December 2007 (2006: YTL 1.857,44).

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

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

	31 December 2007	**31 December 2006**
Discount rate (%)	5,71	5,71
Probability of retirement (%)	96,29	96,25

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of YTL 2.087,92 which is effective from 1 January 2008 (1 January 2007: YTL 1.960,69) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

Movements of the provision for employment termination benefits during the year are as follows:

	2007	**2006**
1 January	**2.889.504**	**2.689.677**
Interest cost	164.991	153.581
Actuarial losses/ (gains)	98.869	(41.967)
Paid during the year	(447.883)	(475.780)
Increase during the year	496.057	563.993
31 December	**3.201.538**	**2.889.504**

YTL 759.917 (2006: YTL 675.607) of the interest cost, actuarial gains and losses and the increase during the year have been charged to general and administrative expenses (Note 37-ii).

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

NOTE 24 - MINORITY INTEREST

None (2006: none).

NOTE 25 - SHARE CAPITAL/ TREASURY SHARES

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of YTL1. The Company's historical authorised registered share capital at 31 December 2007 is YTL 80.000.000.

The shareholders of the Company and their shareholdings to capital with historical figures as at 31 December 2007 and 2006 are stated below:

	31 December 2007		31 December 2006	
	Share (%)	**YTL**	**Share (%)**	**YTL**
Yaşar Holding A.Ş.	61,19	27.503.258	61,19	27.503.258
Public quotation	37,95	17.060.367	37,95	17.060.367
Other	0,86	387.426	0,86	387.426
Capital		**44.951.051**		**44.951.051**
Inflation adjustment to share capital (Note 26-27-28)		16.513.550		16.513.550
Total paid-in capital		**61.464.601**		**61.464.601**

There are 44.951.051 (2006: 44.951.051) shares with a face value of 1 YTL each as of 31 December 2007. Inflation adjustment to share capital represents the restatement effect of cash nature contribution to share capital at 31 December 2004 purchasing power of YTL.

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

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

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

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

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

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

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

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

Effective from 1 January 2008, the minimum profit distribution ratio for public companies shares of which are publicly traded on the Stock Exchange is 20% (2006: 20%), as described in the announcement of CMB based on the decision numbered 4/138 dated 8 Janaury 2008. Accordingly, depending on the decisions made by the general assemblies, the distribution of the relevant amount may be realized by cash or by pro-rata shares or partly as cash and pro-rata shares; and in the event that the first dividend amount identified is less than 5% of the paid-up capital, the relevant amount can be retained within the company. However, companies that increased capital rather than distributing dividends in the prior period and whose shares are therefore classified under "old" and "new" categories and who will distribute dividends from the profit for the current year operations are required to distribute the first dividend in cash.

In accordance with the Communiqué, the companies recognised the differences arising from the restatement of the financial statements for the effects of hyperinflation for the first time, under “inflation adjustment to shareholders’ equity”, of where, equity, share premium, extraordinary reserves, legal reserves and statutory reserves are recognized at book value.

Inflation adjustment of shareholders’ equity can only be net-off against prior years’ losses and used as bonus shares where extraordinary reserves can be net-off against prior years’ losses, used as bonus shares or dividend distribution.

In accordance with the above explanation, the historic and inflation adjusted values and inflation adjustment differences of the components of the equity at 31 December 2007 and 2006 are as follows:

	31 December 2007			**31 December 2006**		
	Nominal values	**Restated values**	**Inflation adjustment to shareholder’s equity**	**Nominal values**	**Restated values**	**Inflation adjustment to shareholder’s equity**
Capital	44.951.051	61.464.601	16.513.550	44.951.051	61.464.601	16.513.550
Legal Reserves	8.387.003	18.768.858	10.381.855	5.169.966	15.551.821	10.381.855
Extraordinary reserves	8.290.574	8.290.574	-	4.500.149	4.500.149	-
	61.628.628	**88.524.033**	**26.895.405**	**54.621.166**	**81.516.571**	**26.895.405**

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

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

The Company's shareholders' equity table as of 31 December 2007 and 2006; is as follows:

	31 December 2007	31 December 2006
Share capital (Note 25)	44.951.051	44.951.051
Revaluation reserve (Note 19)	80.225.122	58.126.400
Revaluation reserve of associates	349.823	175.848
Fair value reserves of available-for-sale investment	14.562.340	3.584.770
Fair value reserve of associates	2.257.830	2.662.140
Inflation adjustment to shareholders' equity	26.895.405	26.895.405
Legal reserves	8.387.003	5.169.966
Extraordinary reserves	8.290.574	4.500.149
Currency translation reserve	(12.716)	7.838
Distribution to shareholders	(5.537.877)	(5.537.877)
Net profit for the year	39.660.157	28.585.922
Retained earnings	68.079.511	70.717.210
Total shareholders' equity	**288.108.223**	**239.838.822**

NOTE 29 - FOREIGN CURRENCY POSITION

	31 December 2007			
	USD	**EUR**	**Other**	**YTL**
Assets:				
Cash and cash equivalents	41.580	16.097	540	77.213
Due from related parties	5.111.976	364.995	-	6.578.133
	5.153.556	**381.092**	**540**	**6.655.346**
Liabilities:				
Borrowings- short-term	(2.761.292)	(742.289)	-	(4.485.540)
Lease obligations - short-term	-	(81.206)	-	(138.878)
Trade payables- short-term	(72.635)	(4.913.393)	(41.297)	(8.532.701)
Due to related parties	(1.851.670)	(1.950.362)	-	(5.492.149)
Borrowings- long-term	-	(6.440.236)	-	(11.014.091)
Lease obligations - long-term	(44)	(79.496)	-	(136.003)
Trade payables- long -term	-	(5.714.124)	-	(9.772.296)
	(4.685.641)	**(19.921.106)**	**(41.297)**	**(39.571.658)**
Net foreign currency asset/ (liability) position	**467.915**	**(19.540.014)**	**(40.757)**	**(32.916.312)**
Off balance sheet items				
Derivative financial instruments	-	6.163.875	-	10.541.459
Net foreign currency asset/ (liability) position	**467.915**	**(13.376.139)**	**(40.757)**	**(22.374.853)**

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

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

The Company's foreign exchange rate sensitivity analysis regarding its foreign currency position is as follows:

The Company's net income for the year ended 2007 would be YTL2.237.485 less in the case of the depreciation of YTL against USD, EUR, GBP and DKK by 10% and the constancy of other variables, with respect to its assets and liabilities denominated in these foreign currencies (2006: YTL2.381.535).

The Company's net income for the year ended 2007 would be YTL54.498 higher in the case of the depreciation of YTL against USD by 10% and the constancy of other variables, with respect to its assets and liabilities denominated in USD (2006: YTL203.155 less).

The Company's net income for the year ended 2007 would be YTL2.287.587 less in the case of the depreciation of YTL against EUR by 10% and the constancy of other variables, with respect to its assets and liabilities denominated in EUR (2006: YTL2.195.697).

NOTE 30 - GOVERNMENT GRANTS

None (2006: None).

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

NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2007	31 December 2006
a) Guarantees Given		
Bails given	535.292.600	579.519.500
Mortgages (Note 19)	33.186.983	52.460.684
Guarantee letters	3.480.963	3.325.025
Guarantee notes	1.800.000	-
	573.760.546	**635.305.209**

As of 31 December 2007, guarantees given are mainly related with joint guarantees provided by the Company along with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. for repayment of borrowings obtained by Yaşar Group companies from international capital markets amounting to EUR 313.000.000 (equivalent of YTL YTL535.292.600) (2006: YTL 579.519.500).

b) Guarantees received		
Bails given	10.261.200	11.109.000
Mortgages	6.144.182	2.096.755
Guarantee cheques	1.293.615	1.187.770
Guarantee notes	495.095	481.516
	18.194.092	**14.875.041**

Foreign currency amounts of guaranties and mortgages are as follows:

Guarantees given	EUR	313.000.000	313.000.000
Guarantees received	EUR	7.402.193	6.471.731
	USD	122.717	105.717
Mortgages given	USD	17.500.000	17.500.000
	EUR	7.487.272	7.487.272

c) Purchase commitments:

The Company has purchase commitments of rare milk purchases and concentrated fruit juice amounting to 8.990 tons, equivalent of YTL6.443.808 (2006: 6.000 tons, equivalent of YTL3.046.366) and 3.833 tons, equivalent of YTL11.450.071 (2006: None), respectively.

d) Other commitments:

As a result of the agreement made with one of the suppliers of the Company's associate, YBP, the Company has guaranteed the redemption of YBP's debts amounting to YTL 12.701.941 as of 31 December 2007 (2006: YTL 16.570.374) to the supplier.

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

NOTE 32 - BUSINESS COMBINATIONS

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

Assets as a result of the purchases are as follows:

Purchase consideration

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

NOTE 33 - SEGMENT REPORTING

The Company operates in milk and dairy products sector and total gross sales from these operations constitutes the 97% (2006: 97%) of total gross sales. Furthermore domestic sales constitutes the 93% (2006: 90%) of total gross sales, and 93% (2006: 91%) of sales and distribution of the Company's products in the domestic market are performed by its associate, YBP (Note 9) and operations other than in Turkey are not material enough to be reported separately (Note 33). In these respects, segment reporting is not applicable.

NOTE 34 - SUBSEQUENT EVENTS

None (2006: None).

NOTE 35 - DISCONTINUED OPERATIONS

None (2006: None).

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

NOTE 36 - OPERATING REVENUE

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

	1 January - 31 December 2007	1 January - 31 December 2006
Domestic sales	541.666.006	417.221.612
Export sales	31.752.168	36.019.398
Commercial good sales	15.336.490	16.375.367
Others	1.108.895	1.155.976
Gross Sales	589.863.559	470.772.353
Less: Discounts	(124.211.400)	(99.537.170)
Returns	(14.031.512)	(13.055.029)
Net sales	**451.620.647**	**358.180.154**
Cost of sales	**(360.856.274)**	**(288.573.653)**
Gross profit	**90.764.373**	**69.606.501**

NOTE 37 - OPERATING EXPENSES

	1 January - 31 December 2007	1 January - 31 December 2006
i. Selling and distribution expenses:		
Advertisement	13.970.718	22.377.046
Transportation	3.564.470	3.442.686
Depreciation and amortisation	2.676.375	2.716.579
Outsourced services	2.481.364	2.733.121
Staff costs	2.327.702	2.137.526
Other	1.985.479	1.957.464
	27.006.108	**35.364.422**
ii. General administrative expenses:		
Staff costs	4.236.991	3.561.256
Consultancy expenses	4.027.453	2.797.572
Depreciation and amortisation	1.368.701	1.369.493
Management bonus accruals (Note 23-a)	1.350.000	-
Outsourced services	1.068.704	650.060
Employment termination benefits (Note 23)	759.917	675.607
Representation	446.546	228.158
Taxes and duties (Corporate tax excluded)	397.296	443.976
Communication	373.061	299.574
Energy and utilities	273.738	168.523
Travel expenses	176.290	149.274
Stationary	148.929	204.685
Registration fees	136.064	136.358
Insurance premiums	128.964	208.668
Other	1.186.500	1.192.781
	16.079.154	**12.085.985**
iii. Research and development expenses:	**3.931.210**	**3.446.603**
Total operating expenses	**47.016.472**	**50.897.010**

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

NOTE 38 - OTHER INCOME AND EXPENSES

	1 January - 31 December 2007	1 January - 31 December 2006
i. Other income:		
Interest income	7.525.176	7.697.058
Share of results of associates (Note 16-b)	6.828.176	4.216.260
Foreign exchange gain	2.824.164	5.411.537
Dividend income (Note 9.ii.j)	2.367.398	1.362.938
Bail income from related parties (Note 9.ii.f)	1.412.710	4.000.302
Gain on scrap sales and other materials	584.427	599.242
Reversal of impairment on property, plant and equipment (Not 19)	376.294	-
Gain on sales of property, plant and equipment	121.632	82.344
Reversal of bad debt provision (Note 7 and 9)	-	260.387
Other	1.361.924	1.049.360
	23.401.901	**24.679.428**

	1 January - 31 December 2007	1 January - 31 December 2006
ii. Other expenses:		
Share of loss of associate (Note 16-b)	(5.697.395)	-
Donations (Note 9.ii-k)	(1.000.000)	-
Impairment on available-for-sale investments (Note 16)	(39.400)	(2.139.858)
Scrap loss on property, plant and equipment	-	(2.068.113)
Impairment on intangible assets (Note 20)	-	(1.000.000)
Litigation cost (Note 23)	-	(358.032)
Other	(485.799)	(307.163)
	(7.222.594)	**(5.873.166)**

NOTE 39 - FINANCE EXPENSES

	1 January - 31 December 2007	1 January - 31 December 2006
Interest expenses	(2.454.902)	(3.710.658)
Interest expense from swap transaction	(2.200.245)	(622.340)
Foreign exchange loss from swap transactions	(847.800)	(585.000)
Foreign exchange loss	(670.227)	(6.471.447)
Bail expenses	(63.752)	(425.639)
Other	(562.101)	(415.164)
	(6.799.027)	**(12.230.248)**

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

None (2006: None).

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

NOTE 41 - TAXES ON INCOME

	1 January - 31 December 2007	1 January - 31 December 2006
Taxes payable	11.195.079	6.293.849
Less: Prepaid taxes	(8.785.476)	(3.121.780)
Deductible VAT receivable	-	(2.730.926)
Provision for taxes (Note 23)	**2.409.603**	**441.143**
Current corporation tax expense	11.195.079	6.293.849
Deferred tax expense/ (income) (Note 14)	990.799	(7.982.229)
	12.185.878	(1.688.380)
Share of taxation of associates (Note 16)	1.282.146	(1.612.037)
Total tax expense/ (income)	**13.468.024**	**(3.300.417)**

Corporation tax is payable at rate of 20% (2006: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilized within the scope of the Income Tax Law temporary article 61).

Dividends paid to non-resident corporations having a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2006: 15%). Addition of profit to capital is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of %20. (2006: 20%) on their corporate income. Advance tax is payable by the 17th (2006: 17th)of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for the advance tax amount paid, it may be refunded or offset against other liabilities to the government.

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

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during when the tax authorities have the right to audit tax returns and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to 5 years. However, Tax losses cannot be carried back to offset profits from previous periods.

NOTE 41 - TAXES ON INCOME (Continued)

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

Dividend income from shares in the capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) is exempt from corporate tax.

The participation income of corporations participating in 10% or more of the capital of a limited liability or joint stock company which does not have its legal or business centre in Turkey (except for corporations whose principal activity is financial leasing or investment of marketable securities) for at least a year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries are subject to corporate income tax, or alike, in their country of legal or business centre at the rate of at least 15% (at corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

According to Turkish Corporate Income Tax Law numbered 5520, effective from 21 June 2006, a 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realised.

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

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

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 14th and recurring 14th articles of Corporate Tax Law and 40th article of the Income Tax Law have been taken into consideration in calculation of the Company’s corporate tax.

Transfer Pricing

Turkish Corporate Income Tax Law numbered 5520 Article 13 concerning transfer pricing regulations has become effective on 1 January 2007. With Article 13 of the mentioned law, considerable amendments have been made to transfer pricing regulations by taking EU and OECD transfer pricing guidelines as a basis. Under the Transfer Pricing rules, the arm's length principle and OECD transfer pricing guidelines have been incorporated in Article 13 of Turkish Corporate Income Tax Law and documentation requirements are obligated for taxpayers in order to support the methods to be applied in the determination of the arm's length price.

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

NOTE 41 - TAXES ON INCOME (Continued)

Transfer Pricing (Continued)

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes effective from 1 January 2007. The corporate tax base of the taxpayer will be adjusted and relevant corporate tax will be calculated together with the penalties and late payment interest. The expression "purchase or sale of goods or services" is used in a broad sense and includes all economic, commercial or financial transactions and employment relations between related parties.

The profit distributed in a disguised manner through transfer pricing will be reclassified as dividends distributed and necessary adjustments to taxes will be assessed at the party receiving the deemed dividends. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

Taxes on income presented on income statement for the periods ended 31 December 2007 and 2006 are summarised as follows:

	2007	2006
Profit before tax	**53.128.181**	**25.285.505**
Tax calculated at tax rates applicable to the profit	(10.625.636)	(5.057.101)
Effect of the investment property, previously classified as owner occupied property (Note 2.4)	(1.321.047)	-
Effect of share of results of assocaites	(1.055.990)	2.455.289
Effect of depreciation transfer (Note 19)	(483.604)	(495.527)
Deferred income tax on available-for-sale investments	(462.705)	799.294
Expenses not deductible for tax purposes	(246.547)	(98.583)
Tax effect of impairment on available-for-sale investments	(7.880)	(427.972)
Income not subject to tax	865.896	390.260
Effect of changes in effective tax rates and regulations	-	5.808.623
Other	(130.511)	(73.866)
Total tax (expense)/ income	**(13.468.024)**	**3.300.417**

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

NOTE 42 - EARNINGS PER SHARE

In order to ensure the distribution of profit; it is required to allocate reserve over the statutory records, in accordance with the arrangements of Turkish Commercial Code. Net distributable profit calculated through financial statements adjusted in accordance with Communiqué should be distributed if it would be covered by statutory distributable profit; otherwise total amount calculated through statutory financial statements will be subject to distribution of profit.

Earning/ (loss) per share is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue during the year.

		1 Janaury - 31 December 2007	1 January - 31 December 2006
Net profit for the period (YTL)	A	39.660.157	28.585.922
Weighted number of shares with a YTL 1 face value	B	44.951.051	44.951.051
Earnings per share (YTL)	**A/B**	**0,8823**	**0,6359**

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

NOTE 43 - STATEMENT OF CASH FLOWS

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

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

None (2006: None).

NOTE 45 - EXPLANATION ADDED FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2007, the accounting principles described in Note 2 (defined as ‘CMB Accounting Standards’) to the financial statements differ from International Financial Reporting Standards (‘‘IFRS’’) issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of the basic financial statements and the notes to them. Accordingly, the financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

…………………