

Corporate Governance Rating

Rating Revision



23 November 2012

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Pınar Süt Mamulleri Sanayi A.Ş. (PNSUT)

 **SAHA**
Corporate Governance Rating:

8.87



MAIN SECTIONS: Avg. 88.67

Shareholders: 84.54



Public Disclosure & Transparency: 90.49



Stakeholders: 93.09



Board of Directors: 87.60



0 10 20 30 40 50 60 70 80 90 100

RATING REVISION

The Corporate Governance Rating (8.34) that has been assigned to Pınar Süt Mamulleri Sanayi A.Ş. on 24.11.2011 is hereby revised up to **8.87**. SAHA's rating methodology (page 5) is based on the Capital Markets Board's (CMB) former "Corporate Governance Principles" published in July 2003, and then revised on February 2005. When the new "Corporate Governance Principles" published on December 30, 2011 come into force, all companies will be rated based on this new methodology.

Furthermore, Pınar Süt Mamulleri Sanayi A.Ş.'s degree of compliance with the Corporate Governance Principles is rated within the top Group 1 countries as categorized by the World Corporate Governance Index (WCGI), which is updated by SAHA on 26.06.2012. The details of the World Corporate Governance Index (WCGI) can be reached at http://www.saharating.com/liste_goster.asp?bolum=28&id=522.

In consideration of Pınar Süt Mamulleri Sanayi A.Ş.'s determination to apply corporate governance principles, its willingness to manage this process dynamically and continuously, and finally the improvements affected during the twelve months lapsed since the publication of the original report, the corporate governance rating of the company is updated and confirmed as above.

Main improvements that affected the above revision are:

1. Articles of association of the company now includes a provision to maintain that decisions, regarding the division and allocation of shares which change the capital and management structure of the company and the composition of the company's assets; the sale, purchase or lease of tangible/intangible assets or grants in significant amounts; the issuance of guarantees like pledges and mortgages in favor of a third person are adopted in the general shareholders' meeting.
2. Board of directors meeting quorum is added on the articles of association.
3. The company has two independent members within the board, who have the ability to execute their duties without being influenced under any circumstances.
4. A process regarding the case independent members lose their independency is designated in articles of association.
5. The independent members are receiving salaries.
6. The independent members presented their independence declarations to the board, in accordance with new corporate governance principles.
7. Audit committee is formed entirely by independent board members. Both the audit and corporate governance committees are chaired by independent members.
8. The chief executive officer/general director does not hold a position at any committee.
9. The company has executed a series of improvements with regard to compliance with the new Corporate Governance Principles enacted on Dec. 30, 2011. These improvements will be reevaluated with our new rating methodology following its approval and a revision note will be issued.

The sub-section ratings are confirmed as follows:

<i>Sub Sections</i>	<i>Weight</i>	<i>Rating</i>
Shareholders	25%	84.54
Public Disclosure and Transparency	35%	90.49
Stakeholders	15%	93.09
Board of Directors	25%	87.60
Total		88.67

Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's Corporate Governance Principles released on July 2003, as revised on February 2005.

The CMB based these principles on the leading work of the Global Corporate Governance Forum (GCGF), which has been established in cooperation with the World Bank and the Organization of Economic Cooperation and Development (OECD). After having incorporated the views and opinions of experts and representatives from the CMB, the Istanbul Stock Exchange, the Turkish Corporate Governance Forum, academicians, private sector representatives as well as various professional organizations and NGOs, the Principles were adopted to reflect the national characteristics and conditions.

Within the Principles, "comply or explain" approach is valid. Some of these Principles are mere recommendations and their implementation thereof is optional. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in the future should all be included in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders and board of directors.

On the foundation of these Principles, SAHA Corporate Governance Rating methodology features over 400+ code criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain the maximum rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions).

In compliance with the CMB's directive and to reach an overall Corporate Governance Rating, SAHA allocates the following weights to the four main sections of the Principles:

Shareholders: **25%**
Disclosure and Transparency: **35%**
Stakeholders: **15%**
Board of Directors: **25%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Rating Definitions

Rating	Definition
9 - 10	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated.
7 - 8	The company performs good in terms of Capital Markets Board's corporate governance principles and has qualified to be included in the ISE's (Istanbul Stock Exchange) Corporate Governance Index. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated.
6	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

DISCLAIMER

This Corporate Governance Rating Revision has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) based on information made available Pınar Süt Mamulleri Sanayi A.Ş. and according to the Corporate Governance Principles by the Turkish Capital Markets Board as amended on 2005.

This revision, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

The contents of this revision and the final corporate governance rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes.

SAHA A.Ş. has embraced and published on its web site (www.saharating.com) the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

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