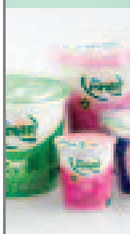
PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

2008 ANNUAL REPORT



Yaşar

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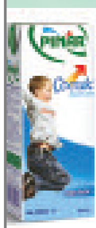


Standing: (L-R) **İdil YİĞİTBAŞI** (Vice Chairperson),
Yılmaz GÖKOĞLU (Member), **B. Safa OCAK** (Member), **Mehmet AKTAŞ** (Member)

Seated: (L-R) **Taşkın TUĞLULAR** (Member),
Feyhan YAŞAR (Chairperson), **Ata Murat KUDAT** (Member)

Letter from the Chairperson

Dear Shareholders,

The crisis that started in the US housing market in 2007 has reached a critical point across the whole world in 2009. The bubble of asset-backed securities influenced the funds that held these assets in their portfolios and severely damaged the balance sheets of finance companies.

The world economy is undergoing a painful process of correction. As the first global crisis of the modern financial history, the 2007-2008 global financial crisis significantly differs from the previous ones. At the point reached, a new “global financial order” is being discussed. On the other hand, a new topic of debate arises as the need to independently identify financial policies of individual countries since each country is likely to have different characteristics and targets.

The global crisis led to increased fluctuations in commodity prices. Prices of numerous commodities climbed up from 2003 until the first half of 2008, and adopted a downward move thereafter. The contraction observed in 2008 in the global trading volume and capital moves have been ongoing also in 2009. Actual inflow of international investment into Turkey declined from USD 22 billion in 2007 to USD 18.2 billion in 2008.

Having attained an average growth of 6.8% in the 2002-2007 period, the Turkish economy was able to expand 1.1% in 2008. There is a fast rise in the rate of unemployment as well. The national economy possesses significant advantages owing to low public borrowings and strengthened banking industry in the face of the current global crisis. However, the worldwide shrinkage in demand and decrease of borrowing facilities make it look impossible for any country, including Turkey, to outlive this environment undamaged.

Contracted demand, combined with the fear of stagnation and deflation pre-empt the combat against inflation. Although the CPI was 8.39 in 2007 and 10.06 in 2008, and the PPI was 5.94 and 8.11 for the same years, it is understood that loose monetary and fiscal policies will be implemented for a while in order to be able to get out of stagnation. The declined prices of oil and other commodities are expected to pull down inflation.

Considering the length of time needed to see the impact of the declared measures for reviving the economy on the manufacturing industry, the crisis will most certainly be our primary topic for an extended period of time. Therefore, all companies and establishments in Turkey need to closely monitor the market conditions and current developments, take action rapidly, and put these actions into practice.

Unrecorded production remains a crucial issue both in dairy and meat products in the food sector. It is a must for the actors in the sector and for the consumers alike that the entirety of the industry be taken under record so as to guarantee that healthy and reliable products are offered.

Currently, about 11 million tons of milk is produced annually in our country. According to the data of the Ministry of Agriculture and Rural Affairs, 25-27% of the total milk production is processed by major establishments, while 33-35% is handled by SMEs and dairy farms. 20% of the milk produced is consumed at the source by the producers themselves and 20% is sold in unpackaged form by street sellers.

Based on our nature as an agribusiness enterprise, it is an important mission for our Business to produce projects directed towards the improvement of livestock breeding, to voice the issues of this sector on every platform, and to try and devise solutions therefor. For this reason, we closely monitor the animal breeding supporting systems. As industrialists, we know the importance of incentives encouraging quality and productivity only too well, and express at every level the negativities that will arise in the sector from the practices that move away from these qualities.

An important development in 2008 for the milk sector was the formation of the “National Milk Council”. One of the primary objectives of the National Milk Council is to take on activities for bringing market and price stability to the milk sector and for furthering the production, consumption and trading of milk and dairy products. Yaşar Food Business actively takes place also in this significant formation.

2008 saw the 63rd anniversary of Yaşar Holding and 33rd anniversary of Pınar. The name that introduced numerous firsts to Turkey and undersigned large-scale industrial investments, Yaşar Food Business contributes to the future of our country via PINAR, its brand name en route to becoming a world brand which is an active player of the global economy with its more than 4,000 employees.

The economic crisis and the competition that grows stronger and fiercer across the globe and in our country make it more critical than ever before for corporations to create strong brands. Being the choice of consumers, securing sustainable profitability and penetrating international markets are possible only by fulfilling the requirements of being a brand name. PINAR instills boundless trust in its consumers by steering its activities with a consumer-focused approach and remaining unwavering from the high quality it offers.

Closely following-up the trends across the world and maintaining its leadership in the food sector since its foundation, PINAR is a very valuable brand that fulfills a great variety of consumers' needs with its broad product range covering, milk, meat, water and fish products.

The key criteria for being a successful brand is to be able to transport the brand identity consistently to the new fields stepped into in the aftermath of the initial activity and to reflect the shared image of the brand in each one of the diversified products. Born as a brand of milk and dairy products, Pınar authored numerous firsts in different segments of the food sector since then. Having launched Turkey's first long-life milk, first ready-made mayonnaise, first spreadable cream cheese, first frozen meat products, first packaged turkey products, first organic milk, and first water in one-way packaging, PINAR pays utmost care to ensure that each member of its broad product range maintains the values of the PINAR brand name and thus builds on the trust held by consumers in PINAR by the day.

Pınar takes place among the 67 brands that will be supported within the frame of the "Turquality" project developed by the Foreign Trade Undersecretariat, Turkish Exporters' Assembly and the Exporters' Association for the purpose of introducing high quality Turkish products to the global market and establishing Turkish product image across the world. According to the annual survey administered by Nilsen research company, PINAR was named the 5th brand consumers feel closest to them last year. In addition, it took place among Turkey's 26 Superbrands based on a survey conducted by Superbrands in 2008.

The first milk brand recalled with 30.5% according to the annual Nilsen research conducted in the milk market, PINAR is the market leader with a turnover share of 26.5% in the long-life milk market on the basis of 2008 averages. Based on the 2008 Turkish Customer Satisfaction Index (TCSI) survey conducted to analyze competition in Turkey by KALDER, the Turkish Quality Association, Pınar was the sector's champion in customer satisfaction in the milk category.

While aiming to maintain its leadership in long-life milk and spreadable cheese markets in 2009, Pınar Süt also intends to perpetuate with its investments directed towards children who represent our future.

Just as in the past so too in the future, Yaşar Food Business will continue to be innovative so as to respond to the evolving consumer needs, and will always adhere to the target of sustained leadership of our Pınar, the source of health, taste, novelties and life, in every segment.

Believing in the need to alleviate the unfavorable burdens globalization will create on the environment and consumers, the Yaşar Group signed the United Nation's "Global Compact" (GC) based on volunteerism on 12 November 2007. In the corporate world, we are living in an era when reporting formats such as the environment and use of resources, and social responsibility also pose great significance in addition to financial results. We witness that the Yaşar Group's long-standing human-focused approach embracing our employees, consumers and all our stakeholders represents principles which also make the foundation of new formations.

In keeping with the value placed on the human resource, teamwork and corporate governance philosophy that have become a culture at the Yaşar Group, we are planning to prepare our "GC" report and present it to our shareholders in 2009.

We would like to thank all our employees, executives and our valuable shareholders for their contributions.

Sincerely,

Feyhan YAŞAR
Chairperson

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

Agenda for the Ordinary General Meeting Convened on 13 May 2009

Place of Meeting: Kemalpaşa Asfaltı No:1 Pınarbaşı-İZMİR
Time of Meeting: 14:30

1. Election of the Presiding Board
2. Authorizing the Presiding Board to sign the minutes
3. Reading and deliberation of the Board of Directors' report; the statutory auditors' report, and the report of the independent audit firm
4. Approval of the company's balance sheet and profit and loss statement for 2008 submitted to the Capital Markets Board of Turkey (CMB) and İstanbul Stock Exchange (ISE); individual acquittal of the members of the Board of Directors and statutory auditors of their fiduciary responsibilities
5. Approval of the independent audit firm chosen by the Board of Directors, and of its term of service
6. Deliberation and decision on the determination of the remuneration to be paid to the Board of Directors members
7. Pursuant to section 14 of the company's articles of association, determination of the number of statutory auditors, election for the succession of statutory auditors whose terms of office have expired and determination of terms of office for such individuals
8. Deliberation and decision on the determination of the remuneration to be paid to statutory auditors
9. Presentation of information to the shareholders concerning the grants and donations made in the fiscal year
10. Deliberation and decision on the profit for the year
11. Presentation of information to the General Assembly on the company's disclosure policy
12. Deliberation and decision on authorizing the Board of Directors for distribution of interim dividends to the shareholders to be set-off from 2009 dividends, under Article 15 of the Capital Market Law and Article 9 of the CMB Communiqué Serial: IV No: 27, and on setting-off, pursuant to the same article, interim dividends to be distributed from the extraordinary reserves of the prior year's balance sheet, in case there has not been sufficient profit or a loss has been realized, or from such amount which shall be generated by the liquidation of the guarantee obtained for interim dividends, pursuant to Article 10 of the abovementioned Communiqué, and which shall be entered as income, in case the extraordinary legal reserve is not sufficient to cover such loss
13. Authorizing, pursuant to Articles 334-335 of the TCC, the Board of Directors
14. Wishes

a. Period of the Report : 01.01.2008-31.12.2008

b. Commercial Title of the Company: Pınar Süt Mamulleri Sanayii A.Ş.

Issued Capital : TL 44,951,051.25

Registered Capital : TL 80,000,000

c. Members of the Board of Directors:

Name & Surname	Position	Term of Office
Emine Feyhan YAŞAR	Chairperson	15.05.2008-3 Years
İdil YİĞİTBAŞI	Vice Chairperson	15.05.2008-3 Years
Ata Murat KUDAT	Member	15.05.2008-3 Years
Taşkın TUĞLULAR	Member	15.05.2008-3 Years
B. Safa OCAK	Member	15.05.2008-3 Years
Yılmaz GÖKOĞLU	Member	15.05.2008-3 Years
Mehmet AKTAŞ	Member	15.05.2008-3 Years

Scope of Authority
The chairperson and the members of the Board of Directors possess the respective authorities stipulated by the relevant articles of the Turkish Commercial Code and by sections 11 and 12 of the company's articles of association.

Members of the Board of Auditors:

Name & Surname	Date of Appointment	Term of Office
Özge Engin	15.05.2008	1 year
Kamil Deveci	15.05.2008	1 year
Ebgü Senem Demirkan	15.05.2008	1 year

Scope of Authority:
According to section 15 of the company's articles of association, the duties, authorities and responsibilities of statutory auditors are in conformity with the principles stipulated by the relevant articles of the Turkish Commercial Code.

d. Changes in the Articles of Association During the Reporting Period:
During the reporting period, section 6 "Registered Capital" of the company's articles of association was amended at the Extraordinary General Meeting convened on 17 December 2008.

e. Issued Capital Market Instruments:
As at 31 December 2008, the company has 172,800 Class A registered, 126,000 Class B registered and 4,494,806,325 Class C bearer shares, each with a nominal value of Kr 1.

f. Factors Affecting the Company's Performance and Estimations about the Development of the Establishment:
Major barriers in terms of competition against exportation include the ban on the exportation of milk and dairy products to the European Union countries, the difficulty of collecting good quality milk due to the highly sporadic nature of milk producers in the form of small-scale establishments, and the high costs of raw materials, transportation and energy. Dairy products are imported into Turkey at lower prices because of the firewalls and incentives implemented in the EU countries. It is predicted that the demand for packaged products in the milk sector will continue to increase, and the health trend observed in 2008 will be ongoing also in 2009. Aiming to formulate its

strategies and actions in line with these anticipations, Pınar Süt targets to grow primarily via value-added products as well as with investments directed towards children, while sustaining its profitability.

g. Research and Development Activities

Pursuing its efforts with a customer-focus, and having made it a principle to produce products aligned with consumer demands and needs, Pınar Süt closely monitors the evolving consumer trends. R&D activities are carried out with a keen eye on developing and evolving consumer expectations, sectoral developments worldwide, integration with the EU and legal regulations. Pınar Süt R&D undertakes hundreds of alternative formulation and lab tests every year in an effort to fulfill consumers' different expectations through the different stages of life, as well as numerous projects in collaboration with national and international private and public organizations, universities and institutes, and the resulting products are offered to the liking and service of consumers.

On another wing, Pınar Süt Packaging R&D follows up the innovations in packaging materials and technology, wins alternative packagings and suppliers, cooperates with local and foreign suppliers for developing new product packagings and for improvement of existing ones. All these efforts result in the introduction of practical packagings that meet economic and environmental requirements to the liking and use of consumers. The success of Pınar Süt in research and development activities are proven time and again with new products designed/developed every year. The sectoral developments across the world are followed up and tailored according to the production, and new product development as well as improvement works on existing ones is perpetuated, while the food legislation in force and competitive products are closely monitored.

h. The Relevant Sector and the Company's Position Therein:

According to data released by the United Nations Food and Agriculture Organization (FAO), the milk sector takes place among the fastest-growing industries with an annual average growth of 6% on the basis of value in the last decade. While packaged milk had a turnover share of 53% within total milk in 2007, this ratio reached 56% in 2008. This trend is expected to continue due to urbanization, elevated education level, consumers' concerns about health, and tendency towards consuming high quality products. Paralleling with these developments, packaged milk market attained 19% expansion year-over-year.

One of our most important problems for the milk industry, as well as with respect to the future of our country is the low level of milk drinking in Turkey. Turkey is a country with a high concentration of children in its population. There are 11.2 million children in Turkey in the 1-9 age interval. For healthy development of our children in this age group, they must consume at least 2 glasses of milk every day. However, this amount is just 1/3 glass (63 ml), while the ratio of consumption of packaged milk only is a very low 1/8 glass (26 ml). Efforts must be spent to push this ratio up and to increase the ratio of milk drinking among children. Recognizing this need, Pınar produced Pınar Milk for Kids formulated with a special taste and content for contributing to the development of children in the 1-9 age group in 2008. Pınar Milk for Kids is a product the children will love drinking, while getting the maximum benefits from it. Upon the launch of the Pınar Milk for Kids enriched in vitamin and mineral content and specially designed for children, the company increased its market share based on turnover in this category from 13% to 27% during the reporting period.

The three countries in the world with the highest cheese consumption are USA, Russia and Brazil. While cheese consumption per person reaches 15 kg in the USA, the same is 13.7 kg in Europe and around 6 kg in Turkey. Following suit of the previous years, consumption of unpackaged cheese continued to decline (by -5%) as that of packaged cheese rose (by 9%). In 2008, packaged cheese made up 22% of the cheese market, while unpackaged cheese dominated the remaining 78%. Within packaged cheese category, white cheese has been the fastest growing segment last year with 15% (HTP).

It is predicted that the demand for packaged products in the milk sector will continue to increase, and the health trend observed in 2008 will be ongoing also in 2009. Aiming to formulate its strategies and actions in line with these anticipations, Pınar Süt targets to grow primarily via value-added products as well as with investments directed towards children, while sustaining its profitability

i. Corporate Governance principles Compliance Report
Please see App. 1.

j. Investments:
The company's total investments in 2008 were worth TL 16,568,150. Out of this sum, TL 7,388,279 was invested in land, buildings and overground structures, TL 7,418,318 in machinery and facilities, TL 1,736,431 in fixtures, TL 20,200 in vehicles, and TL 4,922 in rights.

k. Production:

Capacity utilization rates

	2007 (tons)	**2008 (tons)**	**%**
Milk-Fruit Juice, Cream, Pudding	187,131	184,227	(1.57)
Butter, Sauce, Honey, Jam	12,337	12,146	(1.57)
Yogurt-Cheese	50,014	47,975	(4.25)
Powdered Products	1,810	920	(49.18)
Total	251,292	245,268	(2.46)

Capacity utilization rate for 2008 was 52%.

l. Sales:
Pınar Süt maintained its leadership in the dairy products sector in 2008 with 26.5% share in long-life milk, 65.5% share in Light Milk, and 43.1% share in spreadable cheese.

2008 exports were worth USD 28,025,000. Up 8% year-on, 2008 turnover reached TL 634,125,084.

	2007 (TL)	**2008 (TL)**	**%**
Milk-Fruit Juice, Cream, Pudding	297,519,334	312,609,178	5.07
Butter, Sauce	57,631,530	67,582,983	17.27
Yogurt, Cheese	204,972,751	221,994,453	8.30
Powdered Products	11,846,702	6,025,493	(49.14)
Others	16,807,398	25,912,978	54.18
Total	588,777,714	634.125.084	7.70

m. Financial Structure (IFRS Values):

	2008	2007	
TOTAL DEBTS/TOTAL ASSETS (%)	33.55	29.52	
TOTAL DEBTS/SHAREHOLDERS' EQUITY (%)		50.49	41.88
AFTER-TAX PROFIT MARGIN (%)	7.08	8.78	
CURRENT ASSETS/CURRENT LIABILITIES (%)	1.45	1.67	
EQUITY TURNOVER RATIO (%)	1.71	1.57	
NET FINANCING COSTS/NET SALES (%)	4.02	1.51	
NET FINANCING COSTS/SHAREHOLDERS' EQUITY (%)	6.89	2.36	

n. The Company's Finance Sources and Risk Management Policies:
The finance sources of the establishment consist of the company's shareholders' equity, loans utilized and loans from vendors. Due to the nature of its activities, the company is exposed to various financial risks including the impact of changes in the prices of lending and capital markets, in exchange rates and interest rates. The company's Total Risk Management program focuses on the unpredictability of financial markets and is aimed at minimizing the adverse impacts upon the company's financial performance.

o. Personnel:
The company employed 773 people in average in 2008, whereas this figure was 761 in 2007.

p. Senior Management:

Name & Surname	Position/Title
Ergun AKYOL	General Manager
Hüseyin DEMİR	Vice President of Supply Chain
Coşkun KESKİNER	Financial Affairs Director
Muzaffer BEKAR	Finance Director
Erhan SAVCIGİL	İzmir Plant Director
Gürkan HEKİMOĞLU	Eskişehir Plant Director

q. Grants and Donations during the Reporting Period:
The company's grants and donations to various institutions and organizations in 2008 amounted to TL 303,017.

r. Non-headquarter Organizations: N/A

Company History and Highlights

Ever since its inception, Pınar Süt aimed to contribute to the physical and mental development of consumers, and to help raise healthy generations with the products produced and services offered. In keeping with its healthy nutrition mission, Pınar introduced numerous novelties to the Turkish food sector. With its trusted identity built on a history of 33 years, Pınar takes place among the leading brands that consumers cannot give up.

The first to launch long-life milk in aseptic boxes in Turkey in 1975, Pınar Süt operates out of the plants located in İzmir and Eskişehir, and sustains its leadership in the Turkish milk market. Employing cutting-edge technology in the production of milk and dairy products, Pınar Süt contributes to the increase of milk production in Turkey with the constant support it extends to over 21,000 producers. In order to have access to good quality milk, Pınar Süt collaborates with more than 260 farms based on contracted farming model, and spends efforts to propagate the total quality concept in these farms. Pınar Süt collects the best quality and freshest milk, a feature owed to its system of collecting milk twice daily under the supervision of 110 contracted veterinarians.

Executed in the second most comprehensive scope in Turkey following the USA and analyzing the competition in Turkey, 2008 third quarter results of the Turkish Customer Satisfaction Index (TCSI) carried out by KALDER (Turkish Society for Quality) reveal that Pınar headed the milk category in terms of customer satisfaction. Aiming to rank among the top three brands in terms of target market share in all the product categories in which it is active, Pınar Süt was the first brand recalled in milk

category with 30.5% according to the top-of-mind awareness survey of Nilsen, an independent research company. As per Nilsen's 2008 market research reports, the company maintains its leadership based on turnover in the long-life milk market with 26.5% and in the light milk market with 65.5%.

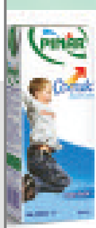
Pınar remains the leading brand with a total market share of 43% in the overall spreadable cheese segment; the breakdown of the segment reveals individual leaderships with Pınar Beyaz spreadable fresh cheese (85%), Labne (55%) and spreadable cream cheese (17%) (Source: Nilsen).

Accountable for 40% of the milk and dairy products exportation from Turkey on its own, Pınar Süt exports predominantly to Saudi Arabia, Kuwait, United Arab Emirates, Turkish Republic of Northern Cyprus, Azerbaijan and Bahrain. Exported to the Gulf countries, Pınar Labaneh is the leading brand with 45% market share in these territories. Furthermore, various cheese variants, UHT milk and fruit nectars are exported to these countries. Other destinations receiving regular exports are the USA, Jordan, Kazakhstan, Uzbekistan, Turkmenistan, Yemen, Kosovo, Iraq, Singapore and Libya.

Pınar Süt's exports in 2008 were worth USD 28,025,000.

Total Quality

Total Quality philosophy at Pınar Süt is erected on the axes of fully satisfying the consumers' needs for high quality and safe food, and on making them feel good.



Based on this reason, Pınar Süt is committed to being more than just a provider of good quality and reliable products to consumers, and strives to align its products with the social lifestyle of its target audience and to fulfill the different health-related expectations through different stages of life. In keeping with this, Pınar Süt addresses consumers with more than 300 products.

Work processes at Pınar Süt are structured based on the target of achieving absolute customer satisfaction. Customer feedback received through various channels including consumer service hotline, market research and questionnaires are evaluated and reflected in relevant processes, in turn improving those processes. The effectiveness of the processes are measured and enhanced through review and self-assessment activities carried out pursuant to ISO 9001:2008 Quality System Standard and EFQM Excellence Model.

Significant cost advantages have been captured in the Lean Six Sigma projects and the OCI (Operational Cost Improvement) system thanks to the committed teamwork carried out at Pınar Süt in 2008.

The HACCP practices, which have been in place since 1998 to respond to the consumers' reliable food demands, are being carried out within the frame of "ISO 22000 Food Safety Management System" as of 2007.

New Products

New products launched in 2008 included Pınar Child Follow-on Milk in 500 ml and 200 ml packaging, Pınar Peach Drink in 1 liter and 200 ml packaging, and Pınar Kido Triangular Processed Cheese in 12.5x8 g packs.

With the work on their packaging completed, Cocoa Pudding (125 g), Banana Flavored Pudding (125 g) and Vanilla Flavored Pudding (125 g), and Yogurt (1200 g and 2250 g) appeared on the shelves during 2008.

Environmental Commitment

Utmost emphasis is placed on protecting the environment, efficient use of natural resources and achieving compliance with all laws and regulations in the conduct of production activities. The commitment of Pınar Süt in this aspect and the company's successful implementation are evidenced by the ISO 14001 Environmental Management System Certification earned.

In this frame, environmental performance criteria were identified at Pınar Süt several years ago, under which improvement plans were devised and planned targets are taken further each year. In addition, the company pays attention to use environmentally-friendly materials and technology in the new products designed and prefers recyclable packaging.

Human Resources

Pursuing its operations in line with its mission of "health, taste and trust" while remaining unwavering from quality, Pınar Süt's success is built on the awareness that the true strength lies in the "people".

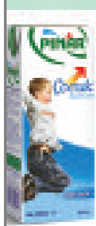
The primary mission of Pınar Süt HR is to attract and retain productive, highly-motivated and high-performing human resource. Believing that improving employee performance also improves corporate performance, Pınar Süt successfully achieved its

targets with its 773 employees in 2008.
Pınar Süt's targets in its motto "People First" are as follows:

• Pursuing competency-based recruitment process in line with the principles of "placing the right person in the right position" and "giving priority to promotion from within",
• Ensuring alignment of company goals and personal targets through the performance appraisal system. Monitoring the employees' personal development, career planning, remuneration and rewarding processes based on performance results,
• Encouraging employees to improve themselves and also to communicate their criticisms and suggestions directed towards enhancing existing processes through various incentives such as the Productivity Contest and Operational Cost Improvement System,
• Seeking the employees' opinions and ideas through "Employee Opinion Questionnaires" administered annually, and enhancing employee satisfaction by way of action plans devised accordingly,
• Making the employees feel that they are the valued and important members of a big family through collective and supportive HR implementations.

All efforts spent in line with these targets help identify the strengths and improvement areas and in realizing necessary actions in our quest for quality.

Social and Cultural Activities
Ever since its inception, Pınar Süt aimed to contribute to the physical and mental development of consumers, and to help raise healthy generations with the products produced and services offered. In keeping with this target, the company continues to extend support to education, sports, culture and the arts.



Pınar Kido Children's Theater
While supporting the mental development of children with its products, Pınar also attaches importance to their cultural and artistic activities. Having undersigned dozens of children's plays with a professional cast and crew from the actors to the directors and stage designers every year since 1987, Pınar Kido Children's Theater continues to conquer the hearts of thousands of children by taking the stage in schools visited in İstanbul, İzmir, Bursa, and Eskişehir throughout the theater season, and by touring the regions that are deprived of the opportunity to watch theater in the summertime. Pınar Kido Children's Theater also has been influential in the training and development of eminent actors and actresses including Bülent İnal, Vahide Gördüm, Özgür Ozan and many others.

Pınar Kido Painting Competition
Pınar Kido Painting Contest is being organized for 27 years with the aim of creating an enhanced interest in the art of painting and fine arts among primary school students and to help raise the artists of the future. Attracting the participation of children from every geographical region of Turkey and focusing on a different theme each year since 1981, Pınar Kido Painting Contest continues to improve the artistic skills of numerous young artists. Based on the evaluation of the paintings received from all seven geographical regions of Turkey and from the Turkish Republic of Northern Cyprus by a jury panel consisting of academicians and experts, 22 little artists selected were awarded with a one-week Art Camp in İstanbul under the supervision of the famous artist Hüsamettin Koçan last year. In its 27th edition organized in 2008, Pınar Kido Painting Competition Art Week saw the emergence of super heroes by the participant students. Having taken part in painting workshops

where professional materials were used, young talents received their certificates during a ceremony held on the final day.

Pınar KSK

Pınar sponsors the basketball team competing in the Turkish Premier Basketball League under the name Pınar Karşıyaka since 1998 on the basis of advertising. Every year, nearly one thousand children benefit from the opportunity to engage in sports activities at Çiğli Selçuk Yaşar Facilities.

Publications

Yaşam Pınarım Magazine

The magazine establishes a bond between Pınar and its consumers, business partners, academic and bureaucratic network with its distinctive style and content since 2004. Printed in 10,000 copies quarterly, Yaşam Pınarım Magazine is distributed as a complimentary publication.

Pınar Bulletin

Published quarterly and addressing the producers, Pınar Bulletin is a key reference for farmers engaged in milk and meat animal breeding.

Fair and Congress Participations

Pınar Et participated in the 77th İzmir International Fair as part of Yaşar Food Business stand where the company's products were displayed. The company was also a participant at the II. Middle East Agriculture Fair organized in Diyarbakır in cooperation with the Ministry of Agriculture. Furthermore, Pınar was the congress sponsor at the 17th Quality Congress organized by KALDER (Turkish Society for Quality), and the major sponsor of the "In Search of Excellence Symposium" organized by İzmir Society for Quality.

Themed "A new era and new horizons: Turkey's stability and growth drive", Forum İstanbul 2008 conference was held in April in İstanbul with the sponsorship of Pınar.

In addition, "II. International İzmir Special Education and Autism Symposium" was organized at Çeşme Altın Yunus Hotel on 23-25 October 2008, for which the main sponsor was Pınar under Yaşar Holding Food Business.

Having completed its third year in operation and sponsored by Pınar Süt, Hürriyet

Women's Club carries out various training programs and informative seminars so as to support and encourage women to be more actively involved in social life.

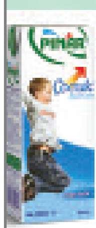
Awards and Certificates

Continuing to be the leading brand in the food sector in Turkey since its foundation, Pınar Süt received awards from respected organizations also in 2008, by virtue of its production standards and advanced technology, as well as of its innovative approach that aims unprecedented initiatives.

PINAR is a consumer-focused brand that turns a careful ear to consumers' demands and needs, and rapidly produces solutions to fulfill the same. According to 2008 third quarter results of the Turkish Customer Satisfaction Index (TCSI), Pınar is the sector's champion in the milk category in terms of customer satisfaction.

Last year, İzmir Chamber of Commerce awarded Pınar Süt with golden medal for its contribution to the national economy by declaring high net commercial profit; for its efforts and achievements in services earning foreign currency for the country, and for its taxpaying performance. Again in 2008, EBSO (Aegean Region Chamber of Industry) named Pınar Süt the number one company among highest exporters and the second company among highest taxpayers, highest exports and highest employment providers in the dairy products industry. The company was also awarded for its uninterrupted high exports for the past 10 years, contributions to culture, successful brand and successful R&D activities categories.

Based on the results of the "Reward your Brand" survey conducted by the Tüketici Raporu (Consumer Report) magazine within the scope of the Consumer-Friendly Golden Quality Summit that was organized for the ninth time last year, Pınar received the highest votes in its sector that brought it the "Consumer-Friendly Golden Quality Award" and was honored with the title "Consumer-Friendly Brand".



Based on the research conducted by Superbrands in 2008, Pınar took place among Turkey's 26 super brands.

For its "Pınar Beyaz" advertising campaign, Pınar prevailed among 6 other nominees and was honored with the Silver Effie 2008 award in the basic foodstuff category in Effie Turkish Advertising Effectiveness Contest organized biennially by the Turkish Association of Advertising Associations and the Advertisers' Association.

Corporate Governance Principles Compliance Report (App. 1)

1) Statement of Compliance with Corporate Governance Principles:
In the fiscal year ended on 31 December 2008, PINAR SÜT MAMULLERİ SANAYİİ A.Ş. (the company) complied with and implemented the Corporate Governance Principles published by the Capital Markets Board of Turkey (CMB), save for the matters listed hereinbelow.

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

Nature and grounds relating to matters that are not complied with in part or in whole are detailed in the relevant sections of the report.

During the reporting period, training activities on corporate governance were participated in, the company's articles of association, procedures and practices were reviewed with respect to their compliance with the principles, and improvement areas were identified.

SECTION I – SHAREHOLDERS

2) Shareholder Relations Unit:
While there was not an investor relations unit at the company until 18 March 2009, the said function was carried out by the Financial Affairs Department receiving support from the relevant central departments of the Yaşar Group for the fulfillment of this function. As stated in the material event disclosure made on the said date, it was decided by the company's Board of Directors to set up an Investor Relations Unit as of 18 March 2009 and to appoint Ms. Senem Demirkan who holds Capital Market Activities Advanced Level and Corporate Governance Rating Specialist licenses as the manager of this unit.

Contact information
Tel : 0 232 482 22 00
Fax : 0 232 489 15 62
E mail : yatirimci@pinarsut.com.tr

The duties of the Investor Relations Unit are listed below:

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

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

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

Indiscrimination is the basic principle in the shareholders' exercise of their right to obtain and examine information. All necessary information and documents necessary for healthy exercise of shareholding rights are made equally available to the shareholders through our website. Numeric information regarding the applications for obtaining information in the fiscal year 2008 was provided in article 2 above. These information requests are usually related to such matters as the date of general meeting, capital increases and bonus shares, and profit distribution. All information requests, apart from those falling under the scope of trade secrets or company interest that is worth protecting, are responded to without any discrimination among the shareholders and in parallel with the disclosures previously made to the public within the scope of material event disclosures. Developments that have an impact on the exercise of shareholding rights as required by the Turkish Commercial Code (TCC) and CMB arrangements are disclosed via material event disclosures, newspaper announcements and by post. The company's articles of association contain no provisions stipulating the request for appointment of a special auditor as an individual right. During the reporting period, no such request was received from the shareholders.

4) Information on General Meetings:

In 2008, 2007 Ordinary General Meeting was convened on 15 May 2008 and an Extraordinary General Meeting on 17 December 2008. According to section 19 "Meeting Quorum" of the company's articles of association, quorum at ordinary and extraordinary general meetings is subject to the relevant provisions of the Turkish Commercial Code. In the 2007 ordinary general meeting, meeting and decision quorums were 65.80% of the company's share capital.

Save for shareholders, stakeholders and media did not attend the meeting. Invitation to the general meeting was made by the board of directors. In addition to the shareholders, authorized representatives of the independent audit firm are also invited in writing. The announcement for the company's general meeting invitation was promulgated in the Turkish Trade Registry Gazette (TTRG) at least 21 days in advance of the meeting date, excluding the dates of promulgation and meeting, in accordance with section 22 "Announcement" of the articles of association and under article 368 of the TCC. The invitation was also posted on the corporate website and published in a local newspaper, and the shareholders, whose addresses were registered, were also informed on the meeting date, place and agenda by post. No deadlines are set for registration in the shareholders register so as to facilitate participation of the holders of registered shares in the general meeting. Prior to the general meeting, the place, date and agenda of the meeting, dividend distribution proposal of the board of directors to be submitted to the general assembly, as well as the independent audit firm chosen are publicly announced by way of material event disclosures.

The company's annual report is made available for the examination of shareholders at the company's head office and on the corporate website 15 days in advance of the general meeting. At the general meeting, the topics on the agenda are communicated impartially and in detail, in a clear and understandable method, and the shareholders are provided with the chance to voice their opinions and direct their questions under equal conditions, thus creating a healthy discussion climate.

The articles of association contain no provisions with regard to the adoption of material decisions at the general meeting, such as demerger, acquisition, disposal, leasing etc. of substantial assets. In order to assure the company activities to proceed in their normal course, such decisions are adopted by the board of directors, with keen consideration of the CMB arrangements, TCC and tax legislation. Upon adoption, such resolutions are publicly disclosed as material event disclosures. The minutes of the general meetings are made available to shareholders at all times at the company's head office. Furthermore, the minutes of the company's general meetings convened in the past three years are available under the Investor Relations section on our corporate website accessible at www.pinar.com.tr.

5) Voting Rights and Minority Rights:

The following privilege exists in relation to nominating members to the seats on the Board of Directors: "The business affairs and administration of the company are managed by a Board of Directors that will consist of 5 to 9 members who will be elected under the provisions of the TCC by the General Assembly from amongst shareholders or non-shareholders. If the Board of Directors is formed by 5 members, 3 members shall be elected from amongst the nominations made by Class A shareholders, 1 member from amongst the nominations made by Class B shareholders, and 1 member from amongst the nominations made by Class C shareholders; if the Board of Directors is formed by 7 members, 4 members shall be elected from amongst the nominations made by Class A shareholders, 2 members from amongst the nominations made by Class B shareholders, and 1 member from amongst the nominations made by Class C shareholders. If the Board of Directors is formed by 9 members, 5 members shall be elected from amongst the nominations made by Class A shareholders, 3 members from amongst the nominations made by Class B shareholders, and 1 member from amongst the nominations made by Class C shareholders. If so decided thereby, the Board of Directors may elect a Managing Director. However, the chairperson of the Board and the Managing Director must be elected from amongst the members representing Class A."

There are no privileges other than the above.

In relation to exercise of voting rights, the company's articles of association contain no provisions preventing a non-shareholder from voting in proxy in the capacity of a representative. Section 23 of the company's articles of association setting forth the voting reads as follows: "Votes are cast by raise of hands at general meetings. However, upon demand by holders of one tenth of the capital represented by the attending shareholders at the meeting, secret voting must be carried out. Arrangements of the CMB shall be observed in respect of the votes cast in proxy."

There are no cross-shareholding interests between the company and another company. There are no independent members on the board of directors (Please refer to article 18 on detailed information about the members of the Board of Directors.) Minority rights are not represented in the board of directors. At our company, minority rights and exercise thereof are implemented in parallel with Article 11 of the Capital Market Law that governs all publicly-floated companies. Currently, the company's articles of association do not contain a provision allowing cumulative voting method.

6) Dividend Distribution Policy and Timing:

The company's general dividend distribution policy is to make dividend distribution upon consideration of the company's financial position, the investments to be made and other funding needs, the sectoral conditions, economic environment, the capital market legislation and the tax legislation. In consideration of the fact that the dividend distribution ratio is currently 20% under the capital market legislation, it is envisaged to make dividend distribution at this ratio at a minimum in the subsequent years as well. However, determination of the actual dividend ratios shall each year be made based on the considerations mentioned above.

The company's dividend distribution policy for 2008 and subsequent years was presented for the information of the shareholders at the general meeting convened on 15 May

2008, and it is also publicly disclosed on the corporate website.

The company authorized, via the articles of association, the Board of Directors in relation to interim dividends. The Board of Directors evaluates the exercise of the power to grant interim dividends within the framework of applicable legislation and economic environment. Dividend distribution methods and processes are stipulated by the provisions contained in the TCC, CMB arrangements and the company's articles of association. Upon the Board of Directors' relevant decision made in parallel with the set dividend distribution policy in each fiscal year, the public is informed by way of a material event disclosure. The Board of Directors decision relating to the amount of dividends is laid down for approval at the general meeting and the amount of dividends approved as such is distributed to the shareholders within the prescribed period of time as determined at the general meeting within the framework of the CMB Communiqué Serial: IV, No: 27. Distribution of the company's 2007 dividends was commenced on 30 May 2008, and the process was completed within the legally prescribed period of time.

7) Transfer of Shares:
The transfer of shares is governed by articles 415 and 416 of the TCC.

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

8) Company Disclosure Policy:

Although there is no disclosure policy that has been formed and publicly disclosed as defined in Section II, Article 1.2 of the Corporate Governance Principles, the company keeps all the shareholders and stakeholders informed within the framework of the CMB Communiqué concerning the Principles Relating to Disclosure of Material Events. Disclosures are coordinated by the company's Board of Directors, General Manager Ergun Akyol, Financial Affairs Director Coşkun Keskiner and Accounting Manager Mustafa Şahin Dal in a timely, accurate, complete, intelligible, interpretable manner, and equally available to all at low-cost so as to assist the individuals and institutions that will benefit from such disclosures in their decision-making. Drawn up in accordance with the CMB Communiqué Serial: XI, No: 29, as well as the applicable capital market legislation and International Financial Reporting Standards (IFRS), the company's annual and interim financial statements and complementary notes are disclosed to the public upon being independently audited pursuant to the CMB arrangements.

9) Disclosure of Material Events:
The company made 17 material event disclosures in 2008 fiscal year. No additional information was required for these disclosures either by the CMB and/or the ISE. The company was not in breach of any matter with regard to public disclosure. The company has no capital market instruments quoted on any overseas stock exchange, hence is not subject to additional public disclosure obligations.

10) Company Internet Site and its Content:
Accessible at www.pinar.com.tr, the company website is structured in the format, and provides the content in Turkish and English languages, as required in the section titled "Principles and Means of Public Disclosure", Article 1.11.5 of the Corporate Governance Principles. The website is actively used. Improvement efforts will be ongoing to enhance the services offered by the website.

11) Disclosure of Non-corporate Ultimate Shareholder(s) Who Have a Controlling Interest:
The company's shareholding structure as at 31 December 2008 is as follows:

Shareholders	TL	Share (%)
Yaşar Holding A.Ş.	27,503,257.79	61.18
Others	17,447,793.46	38.82
Total	**44,951,051.25**	**100.00**

As seen in the table above, Yaşar Holding A.Ş. holds 61.18% of the company's share capital. Yaşar Holding A.Ş. is controlled, directly or indirectly, by the Yaşar family.

12) Public Disclosure of Those Who May Have Access to Insider Information:
Individuals who are in a position to have access to insider information as of this writing are named below. Such individuals are publicly disclosed each year through the annual reports and also posted on our website.

All Board of Directors members and statutory auditors

Ergun Akyol	General Manager
Hüseyin Demir	Vice President of Supply Chain
Kazım Coşkun Keskiner	Financial Affairs Director
Muzaffer Bekar	Finance Director
Adnan Akan	Partner of Independent Audit Firm

Relevant employees of the independent audit firm

SECTION III – STAKEHOLDERS

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

14) Stakeholder Participation in Management:
Stakeholder participation in management is ensured through systematic meetings and suggestion systems which are based on process-focused management system and Total Quality philosophy, which aim at enhancing improvement and productivity, and during which the demands and opinions of the employees are taken into due consideration. Customers are also enabled to participate in the management through dealer meetings, customer satisfaction system and suggestion system.

In parallel with our business volume growing within the framework of cooperation established with our suppliers, the suppliers also expand their business volumes, and through regular audits, it is ensured that new materials conforming to quality management and food safety that make up the key prerequisites in the food sector are jointly developed, thus allowing for the suppliers to venture into new lines of business.

15) Human Resources Policy:
The primary mission of the Human Resources is to maintain at Pınar Süt an innovative HR management that makes total quality concept a principle, that is able to easily align with change and development, and that provides global competitive advantage. The company's key HR policies are clearly covered in the Personnel Regulation distributed to all white collar employees against signature. Personnel Regulation contains information on basic

policies, work durations, recruitment process and principles, termination of employment contracts and discipline regulation. HR policies and practices related to blue collar workers are addressed in the Collective Bargaining Agreement.

Our basic policies are as follows:

a) The staff cadres at the company are determined based on the business economics criteria and all employees acknowledge that dignified work is possible only through productive work.

b) In-house and external training programs are implemented within the scope of the plan determined at each level so as to develop the personnel.

c) Equality of opportunity is observed in promotions and appointments in the organization, and in principle, appointments are made from within.

d) Development plans are implemented so as to offer promotion opportunities at the broadest extent to the employees possessing the potential through the career planning system.

e) The employees' performance appraisals are based on achievement of targets, as well as on competencies.

f) Job descriptions and performance standards are documented for each position from the top to the lowest level and this system is made the basis of employee assessment.

g) Employee Opinion Survey is administered every year periodically, seeking the employees' ideas on working conditions, management, social activities, remuneration, training, performance appraisal, career planning, participative management and company satisfaction. Improvement efforts are taken on in line with the feedbacks received.

h) Our company gives utmost importance to providing a safe working environment and conditions. All legally required actions are taken within the framework of Occupational Health and Safety Regulation to prevent occupational risks, to maintain safety and health, and to eliminate the risk and accident factors. Improvement works are carried on constantly through regular meetings.

i) Our management philosophy is "to sustain our existence as a company that acts in compliance with laws and ethical rules, and that adopts total quality philosophy and participative management approach."

j) It is the basic principle at the company to treat all employees equally without any discrimination on the basis of language, race, color, sex, political affiliation, philosophical belief, religion, sect and similar reasons. Necessary actions are taken to protect the said constitutional right of the employees.

The company has 3 employee representatives in total, 2 at Pınarbaşı Plant and 1 at Eskişehir Plant. These representatives are assigned with the following tasks:

a) Hearing out the workers' wishes and resolving their complaints, on condition to keep them confidential and exclusive to the work place

b) Maintaining the collaboration and working harmony between the employees and the employer, as well as the peaceful working environment.

c) Observing the workers' rights and interests, and assisting with the implementation of the working conditions as stipulated by the labor laws and collective bargaining agreements.

All employees are informed on various topics including company procedures, organizational changes, modifications in benefits and rights, and practices and decisions concerning the employees through the regulation and announcements posted on the intranet and bulletin boards, which are prepared within the framework of the Announcement Regulation put into writing. To date, no complaints about discrimination were received by the company management or the HR department from the employees.

16) Relations with Customers and Suppliers:
Its mission defined as presenting the consumers with products that are sources of health, taste and novelties, Pınar makes available its products' production processes and all kinds of details about the products to the customers on the website www.pinarmutfagi.com.

Customer demands and complaints are received through the toll-free consumer hotline serving at 0800 415 51 17 that can be reached from anywhere in Turkey, upon which necessary actions are taken to respond to the demands received and to resolve the complaints. The company constantly makes use of various research and surveys carried out by the company and various independent organizations with a view to ensuring customer satisfaction. According to the results of such research and customer demands, actions are taken to enhance product and service quality. The company's 36 years of history enables establishment of good relations with suppliers, resulting in the provision of needed materials at the required quality, on the required times and in the required quantities, and at optimum commercial terms. The degree of satisfaction of these targets is measured by way of supplier assessment methods and the outcomes are shared with our suppliers, in turn employed in providing them with necessary training and development. Through a constant information network established with our suppliers, potential developments and innovations in the sector are monitored, quality and innovation circles are organized, collaboration is carried out and efforts are spent to implement such innovations as a matter of priority.

17) Social Responsibility:
Committed to fulfill its responsibilities towards public health and the environment, the company made it a principle to collaborate closely with its producers, suppliers and employees in the execution of its production activities, and to continually monitor and improve its environmental performance. The company holds an Environmental Impact Assessment Report and TS EN ISO 14001 Environmental Management System certification. Pınar Kido painting contests, Pınar Kido children's theater, Pınar Karşıyaka basketball team sponsorship, farmer training programs, Pınar bulletin and Yaşam Pınarım magazine signify the company's efforts aimed at contributing to the employees and the society in the fields of culture, the arts, sport and education. Support is extended to education through collaborations with such institutions and organizations as Yaşar University and Yaşar Education Foundation. No lawsuits were lodged against the company during the reporting period on account of any harm to the environment.

SECTION IV – THE BOARD OF DIRECTORS

18) Structure and Formation of the Board of Directors and Independent Board Members:
The Board of Directors exercises its authorities, fulfills its responsibilities and represents the company in line with the powers granted thereto by the shareholders at the general meeting and within the scope of applicable legislation, the articles of association, internal regulations and policies. The Board members are listed below.

Emine Feyhan Yaşar	Chairperson of the Board
İdil Yiğitbaşı	Vice Chairperson of the Board
Ata Murat Kudat	Board Member
Taşkın Tuğlular	Board Member
B. Safa Ocak	Board Member
Yılmaz Gökoğlu	Board Member
Mehmet Aktaş	Board Member

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

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

20) Mission, Vision and Strategic Goals of the Company:
The company's mission is "to present our consumers with products that are sources of health, taste and innovation". The company's primary goal is defined as to "grow together with its producers and suppliers, to become a recognized world brand through integrating with its consumers, and to improve its profitability and productivity together with its staff". To realize this mission, our strategic goals are regularly monitored and reviewed by the Board of Directors.

21) Risk Management and Internal Control Mechanism:
In essence, the Board of Directors oversees the risk management-related activities via the Audit Committee. In fulfilling this function, the Audit Committee utilizes the findings of the Audit Unit reporting to the Financial Affairs Department, and of establishments carrying out certification within the scope of independent audit and certified counsellorship.

22) Authority and Responsibilities of the Board Members and Executives:
The Board of Directors and executives carry out their activities on the principles of egalitarianism, transparency, accountability and responsibility. While the mandatory provisions of the TCC are applicable in achieving this, the authority and responsibilities of the Board of Directors are spelled out as follows in section 12 of the company's articles of association:

Section 12: "The Board of Directors shall represent the company before governmental agencies, courts of law and third parties; carry out, on behalf of the company, any and all kinds of transactions and dispositions within its scope and field of activity; acquire, sell, create and/or release mortgage and other real rights on immovables within the company's scope; enter into amicable settlement and appoint arbitrators; prepare the annual report and yearly accounts to be presented to the general assembly and propose the amount of dividends to be distributed at the general meeting, and perform other duties imposed thereupon by the law and the articles of association."

23) Operating Principles of the Board of Directors:
The operating principles of the board of directors are stipulated as follows in section 10 of the company's articles of association:

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

The operating principles of, and the works carried out by, the Board of Directors in 2008 fiscal year are detailed below:

The agenda of the Board meetings are determined by the Chairperson, upon conferring with other Board members and the general manager. The Board of Directors met 30 times during the reporting period. Invitation to the meeting is made by the Chairperson of the Board, or upon written request by any Board member. The meeting agendas are sent to the members by registered mail at least two weeks in advance of the meeting date. Usually all members participate in the meetings. In 2008 fiscal year, there were no topics upon which agreement was not secured.

In meetings related to matters contained in article IV.2.17.4 of the Corporate Governance Principles, the Board secured personal attendance. Questions posed during the course of the meetings are not recorded. No weighted voting and/or vetoing rights are granted to the Board members.

24) Prohibition on Doing Business or Competing with the Company:
Although the Board of Directors was authorized in the matters related to Articles 334 and 335 of the Turkish Commercial Code at the 2007 general meeting convened in 2008, no member of the Board of Directors carried out, directly or indirectly, any commercial transaction that falls under the company's scope with the company, either on his own or others' behalf.

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

26) Number, Structures and Independence of the Committees under the Board of Directors:
Two committees have been set up at the company: the Audit Committee and the Corporate Governance Committee. In 2008 fiscal year, the Audit Committee met four times and obtained quarterly information on the activities and internal control systems from the company executives and on the audit findings from the independent auditors. The Committee oversees the operation and effectiveness of the company's accounting system, public disclosure of financial data, independent audit and internal control system. It also supervises the selection of the independent audit firm, initiation of the independent audit process, and the work carried out by the independent audit firm. The Committee reports to the Board of Directors as to the accuracy and truthfulness of the annual and interim financial statements that will be publicly disclosed. Members of the Audit Committee are Mr. Taşkın Tuğlular and Mr. Ata Murat Kudat. Because there are no independent members on the company's Board of Directors, the Audit Committee consists of non-executive members. No member of the Board of Directors serves on more than one committee. The company's Corporate Governance Committee was set up with the Board of Directors resolution dated 13 March 2006. Mr. B. Safa Ocak and Mr. Mehmet Aktaş have been elected to serve as the head and member on the Corporate Governance Committee, respectively. The Corporate Governance Committee establishes whether the

Corporate Governance Principles are implemented at the company, and determines the adversities stemming from failure to fully comply with these principles, and proposes improvement actions to the Board of Directors. The Committee coordinates the investor relations efforts, works to create a transparent system, and to devise the relevant policies and strategies regarding the identification of appropriate nominees for the Board of Directors, as well as their assessment, training and rewarding. The Corporate Governance Committee also formulates recommendations regarding the number of Board members and executives.

27) Remuneration of the Board of Directors:

As stated in section 13 of the company's articles of association, the members of the company's Board of Directors receive the attendance fee set by the General Assembly. The gross monthly attendance fee determined for 2008 is TL 650. Financial benefits to be granted to the members of the Board of Directors are determined at the General Meetings and publicly disclosed via the minutes of these meetings. There is no other performance-based rewarding system for the Board members at the company. The company does not lend money or extend loans to any Board member or executive.

Statutory Auditors' Report

TO THE GENERAL ASSEMBLY OF PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

Commercial Name:	Pınar Süt Mamulleri Sanayii A.Ş.
Head Office:	Şehit Fethi Bey Caddesi No.120 İZMİR
Capital:	TL 44,951,051.25
Fields of Activity:	Milk and dairy products production
Statutory auditors' names, surnames, terms of office and whether they have a shareholding interest in the company:	Özge Engin (15.05.2008 – one year) has no shareholding interest Kamil Deveci (15.05.2008 - one year) has no shareholding interest Ebgü Senem Demirkan (15.05.2008 - one year) has no shareholding interest
Number of Board of Directors Meetings Participated in and of Board of Auditors Meetings Held:	Board of Directors Meetings: 30 Board of Auditors Meetings: 12
Scope, dates and conclusion of the examination made on the accounts, books and documents of the company:	At the end of each month, cash, cheques, bonds and receipts were counted, and the records and documents were screened on the basis of sampling method and no irregularities were established.
Number and results of the cash counts held in the Company's pay desk pursuant to Article 353, paragraph 1, subparagraph 3 of the Turkish Commercial Code:	The pay desk was checked and counted 12 times and no irregularities were established.
Dates and results of the examinations made pursuant to Article 353, paragraph 1, subparagraph 4 of the Turkish Commercial Code:	Examination was performed at the end of each month, comments were provided for matters of uncertainty, and no irregularities were established.
Complaints and irregularities received and the actions taken in relation thereto:	None were received.

We have examined the accounts and transactions of Pınar Süt Mamulleri Sanayii A.Ş. for the period 01 January 2008 - 31 December 2008 with respect to their compliance with the Turkish Commercial Code, the company's articles of association, and other applicable legislation, as well as generally accepted accounting principles and standards. In our opinion, the attached balance sheet drawn up on 31 December 2008, the contents of which we acknowledge, fairly and accurately presents the company's financial status on the date, and the income statement for the period 01 January 2008 – 31 December 2008 fairly and accurately presents the operating results for the period.

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

Statutory Audito	**Statutory Audito**	**Statutory Audito**
Özge ENGİN	Kamil DEVECİ	Ebgü Senem DEMİRKAN

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

FINANCIAL STATEMENTS
AT 31 DECEMBER 2008
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION -
THE TURKISH TEXT IS AUTHORITATIVE)

Başaran Nas Bağımsız Denetim
ve Serbest Muhasebeci Mali
Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi
No: 48 B Blok Kat 9 Akaretler
Beşiktaş 34357 İstanbul-Turkey
www.pwc.com/tr
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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 2008 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 2008, 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 Matters

5. As explained in Notes 1 and 37 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.

6. As explained in Note 42 to the financial statements, the accounting principles described in Note 2 to the financial statements differ from International Financial Reporting Standards ("IFRS") with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

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

Istanbul, 9 April 2009

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated).

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PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007
(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

	Notes	31 December 2008	31 December 2007
ASSETS			
Current assets		**128.876.602**	**109.057.852**
Cash and cash equivalents	6	5.268.350	10.596.668
Trade receivables		56.414.853	47.326.778
- Due from related parties	37	45.751.295	42.499.183
- Other trade receivables	10	10.663.558	4.827.595
Other receivables		24.342.301	7.503.796
- Due from related parties	37	24.085.986	5.052.142
- Other receivables	11	256.315	2.451.654
Inventories	13	40.000.804	36.905.443
Other current assets	26	2.850.294	6.725.167
Non-Current Assets		**295.375.659**	**299.714.865**
Other receivables		12.054.673	15.789.508
- Due from related parties	37	12.053.000	15.786.921
- Other receivables	11	1.673	2.587
Financial assets	7	21.605.429	38.819.524
Investment in associates accounted for using equity method	16	31.012.356	27.013.473
Investment property	17	960.026	960.026
Property, plant and equipment	18	228.203.231	213.908.953
Intangible assets	19	1.244.391	2.975.128
Other non-current assets	26	295.553	248.253
TOTAL ASSETS		**424.252.261**	**408.772.717**

The financial statements prepared at 31 December 2008 and for the year then ended have been approved for issue by the Board of Directors on 9 April 2009.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

	Notes	31 December 2008	31 December 2007
LIABILITIES			
Current Liabilities		**89.022.104**	**65.349.706**
Financial liabilities		14.966.657	5.231.709
- Current leasing obligations	8	169.750	138.878
- Financial liabilities	8	14.796.907	5.092.831
Other financial liabilities	9	459.765	501.095
Trade payables		64.651.603	53.250.744
- Due to related parties	37	18.109.892	9.179.404
- Other trade payables	10	46.541.711	44.071.340
Other payables		884.099	1.183.148
- Due to related parties	37	884.099	1.183.148
Current income tax liabilities	35	1.894.067	2.409.603
Provisions	22	1.810.331	1.643.993
Other current liabilities	26	4.355.582	1.129.414
Non-Current Liabilities		**53.321.495**	**55.314.788**
Financial liabilities	8	14.507.089	11.150.094
Other financial liabilities	8	-	1.432.800
Trade payables	10	14.622.499	9.772.296
Other payables		408.923	8.477.161
- Due to related parties	37	359.000	8.175.000
- Other payables	11	49.923	302.161
Provisions	22	145.300	-
Provision for employment termination benefits	24	3.799.007	3.201.538
Deferred income tax liabilities	35	19.838.677	21.280.899
TOTAL LIABILITIES		**142.343.599**	**120.664.494**
EQUITY		**281.908.662**	**288.108.223**
Share capital	27	44.951.051	44.951.051
Adjustment to share capital	27	16.513.550	16.513.550
Reserves		84.748.067	97.395.115
- Revaluation reserves	18	85.883.408	80.225.122
- Revaluation reserves of investments-in-associates	2.3	440.962	349.823
- Fair value reserves of available-for-sale investments	7	(2.733.911)	14.562.340
- Fair value reserves of investments-in-associates	2.3	1.157.608	2.257.830
Currency translation reserve	2.3	40.783	(12.716)
Restricted reserves	27	13.981.411	8.387.003
Distribution to shareholders	3	(5.537.877)	(5.537.877)
Retained earnings	27	93.026.259	86.751.940
Net profit for the year		34.185.418	39.660.157
TOTAL LIABILITIES AND EQUITY		**424.252.261**	**408.772.717**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
STATEMENTS OF INCOME
BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007
(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

	Notes	1 January - 31 December 2008	1 January - 31 December 2007
Revenue	28	482.793.645	451.620.647
Cost of sales (-)	28	(393.246.746)	(360.856.274)
GROSS PROFIT	**28**	**89.546.899**	**90.764.373**
Research and development expenses (-)	29	(4.267.359)	(3.931.210)
Marketing, selling and distribution expenses (-)	29	(26.885.445)	(27.006.108)
General administrative expenses (-)	29	(20.740.266)	(16.079.154)
Other operating income	31	6.727.669	4.775.236
Other operating expenses (-)	31	(3.580.995)	(1.488.760)
OPERATING PROFIT		**40.800.503**	**47.034.377**
Share of results of investment-in-associates	16	6.421.325	(151.365)
Finance income	32	12.994.064	11.762.050
Finance expense (-)	33	(19.432.430)	(6.799.027)
PROFIT BEFORE TAXATION		**40.783.462**	**51.846.035**
Income tax expense	35	(6.598.044)	(12.185.878)
- Taxes on income	35	(8.403.977)	(11.195.079)
- Deferred tax income/ (expense)	35	1.805.933	(990.799)
NET PROFIT FOR THE YEAR		**34.185.418**	**39.660.157**
EARNINGS PER SHARE	**36**	**0,7605**	**0,8823**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008 AND 2007

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

Statement of changes in equity for the year ended 31 December 2008 is as follows:

	Share capital	Adjustment to share capital	Revaluation reserve	Revaluation reserves of investments in associates	Fair value reserves of available-for-sale investments	Fair value reserves of investments-in-associates	Currency translation reserve	Restricted reserves	Distribution to shareholders	Retained earnings	Net profit for the year	Total equity
1 January 2008	**44.951.051**	**16.513.550**	**80.225.122**	**349.823**	**14.562.340**	**2.257.830**	**(12.716)**	**8.387.003**	**(5.537.877)**	**86.751.940**	**39.660.157**	**288.108.223**
Transfer of prior year income to retained earnings	-	-	-	-	-	-	-	-	-	39.660.157	(39.660.157)	-
Legal and extraordinary reserves	-	-	-	-	-	-	-	5.594.408	-	(5.594.408)	-	-
Dividends paid (Note 27 and 37.ii.j)	-	-	-	-	-	-	-	-	-	(31.016.225)	-	(31.016.225)
Sales of property, plant and equipment (Note 18)	-	-	(96.018)	-	-	-	-	-	-	96.018	-	-
Fair value loss on investments in associates- net (Note 16)	-	-	-	-	-	(1.100.222)	-	-	-	-	-	(1.100.222)
Sales of property, plant and equipment in investments-in-associates - net (Note 16)	-	-	-	(47.746)	-	-	-	-	-	47.746	-	-
Depreciation transfer of investments in associates - net (Note 16)	-	-	-	(459.272)	-	-	-	-	-	459.272	-	-
Increase in revaluation reserve of investments in associates – net (Note 16)	-	-	-	598.157	-	-	-	-	-	-	-	598.157
Fair value loss on available-for-sale investments - net (Note 7)	-	-	-	-	(18.148.941)	-	-	-	-	-	-	(18.148.941)
Deferred income tax on fair value loss on available-for-sale investments (Notes 7 and 35)	-	-	-	-	852.690	-	-	-	-	-	-	852.690
Increase in revaluation reserve - net (Note 16)	-	-	9.592.464	-	-	-	-	-	-	-	-	9.592.464
Currency translation differences (Notes 2 and 16)	-	-	-	-	-	-	53.499	-	-	-	-	53.499
Net profit for the year	-	-	-	-	-	-	-	-	-	-	34.185.418	34.185.418
Depreciation transfer (Note 18)	-	-	(2.621.759)	-	-	-	-	-	-	2.621.759	-	-
Deferred income tax on revaluation reserve (Notes 35)	-	-	(1.216.401)	-	-	-	-	-	-	-	-	(1.216.401)
31 December 2008	**44.951.051**	**16.513.550**	**85.883.408**	**440.962**	**(2.733.911)**	**1.157.608**	**40.783**	**13.981.411**	**(5.537.877)**	**93.026.259**	**34.185.418**	**281.908.662**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008 AND 2007
(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

Statement of changes in equity for the year ended 31 December 2007 is as follows:

	Share capital	Adjustment to share capital	Revaluation reserve	Revaluation reserves of investments in associates	Fair value reserves of available-for-sale investments	Fair value reserves of investments-in-associates	Currency translation reserve	Restricted reserves	Distribution to shareholders	Retained earnings	Net profit for the year	Total equity
1 January 2007 - previously reported	44.951.051	16.513.550	58.126.400	175.848	3.584.770	2.662.140	7.838	5.169.966	(5.537.877)	85.599.214	28.585.922	239.838.822
Bonus paid to senior management relating to 2006 (Note 2.4a)	-	-	-	-	-	-	-	-	-	-	(1.800.000)	(1.800.000)
1 January 2007 - as restated	44.951.051	16.513.550	58.126.400	175.848	3.584.770	2.662.140	7.838	5.169.966	(5.537.877)	85.599.214	26.785.922	238.038.822
Impairment of the investment property previously classified as owner occupied property- net (Note 2.4.b)	-	-	5.055.719	-	-	-	-	-	-	(5.055.719)	-	-
Transfer of prior year income to retained earnings	-	-	-	-	-	-	-	-	-	26.785.922	(26.785.922)	-
Legal and extraordinary reserves	-	-	-	-	-	-	-	3.217.037	-	(3.217.037)	-	-
Dividends paid (Note 37.ii.j)	-	-	-	-	-	-	-	-	-	(19.778.460)	-	(19.778.460)
Increase in revaluation reserve - net (Note 18)	-	-	20.970.399	-	-	-	-	-	-	-	-	20.970.399
Increase in revaluation reserve of investments-in-associates - net (Note 16)	-	-	-	173.975	-	-	-	-	-	-	-	173.975
Fair value loss on investments-in-associates- net (Note 16)	-	-	-	-	-	(404.310)	-	-	-	-	-	(404.310)
Fair value gain on available-for-sale investments- net (Note 7)	-	-	-	-	11.634.884	-	-	-	-	-	-	11.634.884
Deferred income tax on fair value gain on available-for-sale investments (Notes 7 and 35)	-	-	-	-	(657.314)	-	-	-	-	-	-	(657.314)
Currency translation differences (Notes 2 and 16)	-	-	-	-	-	-	(20.554)	-	-	-	-	(20.554)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	39.660.157	39.660.157
Depreciation transfer (Note 18)	-	-	(2.418.020)	-	-	-	-	-	-	2.418.020	-	-
Deferred income tax on revaluation reserve (Notes 35)	-	-	(1.509.376)	-	-	-	-	-	-	-	-	(1.509.376)
31 December 2007	44.951.051	16.513.550	80.225.122	349.823	14.562.340	2.257.830	(12.716)	8.387.003	(5.537.877)	86.751.940	39.660.157	288.108.223

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERI SANAYİİ A.Ş.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

	Notes	1 January - 31 December 2008	1 January - 31 December 2007
Operating activities:			
Profit before taxation on income		40.783.462	51.846.035
Adjustments to reconcile net cash generated from operating activities to profit before taxation on income:			
Depreciation and amortisation	18-19	12.767.887	12.638.640
Interest income	32	(5.757.914)	(7.525.176)
Interest expense	33	6.660.460	4.655.147
Provision for employment termination benefits	24	1.527.254	759.917
Impairment on available-for-sale investments	31.b	215.954	39.400
Reversal of impairment on property, plant and equipment	31.a	(1.364.796)	(376.294)
Impairment on intangible assets	31.b	653.853	-
Management bonus provision	29.c- 37.ii.l	1.350.000	1.350.000
Share of results of investments in associates- net	16	(6.421.325)	151.365
Inventory profit elimination	16	(124.096)	165.204
Loss/ (Gain) on sales of property, plant and equipment - net	31.b	1.436.965	(121.632)
Provision for impairment of trade receivables	31.b	516.174	-
Seniority incentive bonus	22.a- 29.c	205.978	-
Taxes paid	35	(8.919.513)	(9.226.619)
		43.530.343	**54.355.987**
Changes in assets and liabilities:			
Increase/ (decrease) in trade receivables	10	(6.352.137)	4.398.698
Increase in inventory	13	(3.095.361)	(8.360.185)
Increase in due from related parties	37	(3.252.112)	(14.406.809)
Decrease/ (increase) in other receivables and other current assets	11-26	6.071.126	(7.790.041)
Increase in other non-current assets	26	(47.300)	(102.222)
Increase in trade payables	10	7.320.574	4.830.148
Increase in due to related parties	37.d	8.930.488	1.776.850
Increase/ (decrease) in other short and long-term payables	11-22-26	1.729.590	(355.977)
Employment termination benefit paid	24	(929.785)	(447.883)
Net cash generated from operating activities		**53.905.426**	**33.898.566**
Investing activities:			
Interest received		5.205.150	7.687.719
Purchases of property, plant and equipment and intangible assets	18-19	(16.552.316)	(21.479.352)
Capital increase in investment in associates	16	(2.441.270)	-
Capital increase in available-for-sale investments	7.a	-	(5.800.000)
Proceeds from sales of property, plant and equipment and intangible assets		87.330	613.317
(Increase)/ decrease in non-trade due from related parties	37	(14.946.335)	14.488.613
Net cash used in investing activities		**(28.647.441)**	**(4.489.703)**
Financing activities:			
Proceeds from/ (redemption of) bank borrowings and lease obligations	8	10.267.066	(10.075.578)
(Redemption of)/ Increase in non-trade due to related parties	37.i.e-f	(8.115.049)	8.175.000
Dividends paid	37.ii.j	(31.016.225)	(21.578.460)
Interest paid		(6.261.337)	(4.822.382)
Dividends received	37.ii.d	4.539.242	2.289.262
Net cash used in financing activities		**(30.586.303)**	**(26.012.158)**
(Decrease)/ increase in cash and cash equivalents - net		**(5.328.318)**	**3.396.705**
Cash and cash equivalents at 1 January		10.596.668	7.199.963
Cash and cash equivalents at 31 December		**5.268.350**	**10.596.668**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar Süt Mamülleri Sanayii A.Ş. ("the Company") was established in 1973 and the main operations of 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 in İzmir - Pınarbaşı and Eskişehir Organized Industry Zone. The Company sells its products under "Pınar" brand, which is one of the leading brands in food and beverages business in Turkey.

93% (2007: 93%) of sales and distribution of the Company's products in the domestic market are made to its investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and substantial portion of its exports are made to Yaşar Dış Ticaret A.Ş., ("Yataş") which are both Yaşar Group Companies (Note 37).

The Company is subject to the regulations of Capital Market Board ("CMB") and 37,95% (2007: 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% shares of the Company (2007: 61,19%) (Note 27).

The address of the registered head office of the Company is as follows:

Şehit Fethi Bey Caddesi No: 120
Alsancak/ İzmir

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Accounting Standards

The financial statements of the Company have been prepared in accordance with the financial reporting standards issued by the Turkish Capital Market Board ("CMB").

The CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué XI, No: 29, "Principles of Financial Reporting in Capital Markets" (the "Communiqué"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes Communiqué XI, No: 25, "The Accounting Standards in the Capital Markets".

According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB, which do not contradict with the aforementioned standards shall be applied.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year starting from 1 January 2005.

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

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the bulletin numbered 2008/16, 2008/18, 2009/02 and 2009/04, including the mandatory disclosures. Within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, enterprises are obliged to present hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements (Note 38). In this respect, the Company made the necessary reclassifications in the statements of income, changes in equity, cash flows for the year ended 31 December 2007 and balance sheet as at 31 December 2007 in accordance with the requirements of the Communiqué (Note 2.4).

Other than land, buildings and land improvements, machinery and equipments, investment properties and financial assets and liabilities carried at their fair values, financial statements are prepared in terms of Turkish Lira ("TL") and based on historical cost convention (Note 40). The investment in associate registered in Germany prepares its financial statements in accordance with the applicable standards, laws and regulations in Germany, and certain adjustments and reclassifications for the purpose of fair presentation in accordance with the financial reporting standards issued by the CMB.

2.2 Amendments in International Financial Reporting Standards

a) Interpretations effective in 2008 and relevant to the Company's operations

* International Financial Reporting Interpretations Committee ("IFRIC") 14, "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction", provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Company's financial statements.

b) Standards and amendments early adopted by the Company

None.

c) Interpretations effective in 2008 but not relevant to the Company's operations

The following interpretations to published standards are mandatory for the accounting periods beginning on or after 1 January 2008 but are not relevant to the Company's operations:

* IFRIC 11, "IFRS 2 - Group and treasury share transactions",
* IFRIC 12, "Service concession arrangements",
* IFRIC 13, "Customer loyalty programmes" (effective for the accounting periods beginning on or after 1 July 2008).

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

d) Standards, amendments and interpretations to existing standards that are not yet effective in 2008 and have not been early adopted by the Company

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not early adopted by the Company:

* IAS 23 (Amendment), "Borrowing costs" (effective for the accounting period beginning on or after 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will apply IAS 23 (Amended) from 1 January 2009, but it is currently not applicable to the Company as there are no material qualifying assets. In addition, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. The Company will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets starting from 1 January 2009.

* IFRS 3 (Revised), 'Business combinations' (effective for annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (Revised) prospectively to all business combinations effective from 1 January 2010.

* IAS 28 (Amendment), "Investments in associates" (and consequential amendments to IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures") (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Company will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses effective from 1 January 2009. Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment will not have an impact on the Company's operations, as investments-in-associates are accounted for using equity method.

* IAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests effective from 1 January 2009.

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

Within the framework of the IASB's annual improvements project published in May 2008, there are some amendments in the following standards. Since, it is not expected to have a material impact on the Company's financial statements, these amendments have not been explained in detail.

* IFRS 7, "Financial instruments: Disclosures",
* IAS 8, "Accounting policies, changes in accounting estimates and errors",
* IAS 10, "Events after the reporting period",
* IAS 18, "Revenue",
* IAS 34, "Interim financial reporting" ,
* IAS 38 (Amendment), "Intangible assets" (Effective from 1 January 2009),
* IAS 19 (Amendment), "Employee benefits" (Effective from 1 January 2009),
* IAS 39 (Amendment), "Financial instruments: Recognition and measurement" (Effective from 1 January 2009),
* IAS 40 (Amendment), "Investment property" (and consequential amendments to IAS 16) (effective from 1 January 2009),
* IAS 1 (Revised), "Presentation of financial statements" (Effective from 1 January 2009).

e) Interpretations and amendments to existing standards that are not yet effective in 2008 and not relevant for the Company's operations.

The following interpretations and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Company's operations:

* IAS 1 (Amendment), "Presentation of financial statements" (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply the IAS 1 (Amendment) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

* IAS 27 (Revised), "Consolidated and separate financial statements", (effective from 1 January 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity, where the control is lost, is re-measured at fair value, and a gain or loss is recognised in profit or loss. The standard will not have any impact on the Company's financial statements, as there is no consolidated subsidiary.

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

* IFRS 1 (Amendment) “First time adoption of IFRS”, and IAS 27 “Consolidated and separate financial statements” (effective from 1 January 2009). The amended Standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.

* IAS 16 (Amendment), “Property, plant and equipment” (and consequential amendment to IAS 7, “Statement of cash flows”). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale.

* IAS 20 (Amendment), “Accounting for Goverment Grants and Disclosure of Goverment Assistance” (effective from 1 January 2009).

* IAS 29 (Amendment), “Financial reporting in hyperinflationary economies” (effective from 1 January 2009). The amendment will not have any impact on the Company’s financial statements since the Company does not operate in hyperinflationary economies.

* IAS 31 (Amendment), “Interests in joint ventures” (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).

* IAS 32 (Amendment), “Financial instruments: Presentation”, and IAS 1 (Amendment), “Presentation of financial statements” - “Puttable financial instruments and obligations arising on liquidation” (effective from 1 January 2009).

* IAS 38 (Amendment), “Intangible assets” (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. The amendment deletes the wording that states that there is “rarely, if ever” support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment will not have an impact on the Company’s operations, as all intangible assets are amortised using the straight-line method.

* IFRS 2 (Amendment), “Share-based payment” (effective from 1 January 2009).

* IAS 41 (Amendment), “Agriculture” (effective from 1 January 2009).

* IFRIC 15, “Agreements for construction of real estates” (effective from 1 January 2009).

* IFRIC 16, “Hedges of a net investment in a foreign operation” (effective from 1 October 2008).

* IFRS 5 (Amendment), “Non-current assets held-for-sale and discontinued operations” (and consequential amendment to IFRS 1, “First-time adoption”) (effective for accounting periods beginning on or after 1 July 2009).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

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

2.3 Basis of consolidation

The Company does not have any subsidiary 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. The Company's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves of the associated undertakings, such as fair value changes in available-for-sale financial assets, revaluation of property, plant and equipments, depreciation transfer and derecognition of such reserves, is recognised in reserves.

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 2008 and 2007 (Note 16):

	Shareholding (%)	
	2008	2007
Investments-in-associates		
YBP	31,95	31,95
Pınar Foods GmbH ("Pınar Foods")	44,94	44,94
Pınar Anadolu Gıda Sanayi ve Ticaret A.Ş. ("Pınar Anadolu")	20,00	20,00
Desa Enerji Elektrik Üretimi Otoprodüktör Grubu ("Desa Enerji")	30,52	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 financial reporting standards issued by the CMB. The assets and liabilities of foreign associate are translated into TL from the foreign exchange rates at the balance sheet date. The income and expenses of foreign associate are translated into TL at the average foreign exchange rates. Exchange differences arising from re-translation of the opening net assets of investments-in-associate and the differences between the average and year-end rates are included in the "currency translation reserve" under the equity as a separate component.

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 2008 on a comparative basis with balance sheet as at 31 December 2007; and statements of income, cash flows and changes in equity for the period of 1 January - 31 December 2008 on a comparative basis with financial statements for the period 1 January - 31 December 2007. Adjustments with respect to the financial statements of 2007 are as follows:

a) According to International Accounting Standard 19, "Employee Benefits", 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 dated 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 Equity").

b) The Company identified that deferred income tax liability amounting to TL1.321.047 with respect to the investment property was not recognized in previous years, and the impairment, amounting to TL6.319.649, incurred in the subsequent years regarding to this investment property was recognized in the revaluation reserve instead of the income statement within the year in which such impairment occurred. Deferred income tax liability amounting to TL1.321.047, was accounted for in the income statement for the period ended 31 December 2007, and the impairment loss after tax, amounting to TL5.055.719 that was previously recognized in revaluation reserve, was charged against the retained earnings through crediting revaluation reserve and debiting retained earnings by TL5.055.719 in 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 Equity").

The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 14 April 2008, including the mandatory disclosures (Note 2.1). In this respect, the Company has performed reclassifications in the financial statements as of 31 December 2007 in order to conform to presentation of the financial statements as of 31 December 2008. Such reclassifications are explained below:

* Other receivables: Trade receivables amounting to TL6.432 in the balance sheet as of 31 December 2007 have been reclassified to "other receivables" in the balance sheet as of 31 December 2007 prepared on a comparative basis.

* Other current assets: Order advances given amounting to TL5.993.895 which were classified under "inventories" and due from related parties receivables amounting to TL54.315, have been reclassified to "other current assets" in the balance sheet as of 31 December 2007 prepared on a comparative basis.

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

* Financial assets: Available-for-sale investments amounting to TL38.819.524 which were classified under “financial assets” in the balance sheet as of 31 December 2007, have been reclassified to “financial assets” in the balance sheet as of 31 December 2007 prepared on a comparative basis.

* Investment-in-associates accounted for using equity method: Investment-in-associates amounting to TL27.013.473 which was classified under “financial assets” in the balance sheet as of 31 December 2007, has been reclassified to “Investment in associates accounted for using equity method” in the balance sheet as of 31 December 2007 prepared on a comparative basis.

* Other non-current assets: Advances given for property, plant and equipment amounting to TL202.646 which were classified under “property, plant and equipments” in the balance sheet as of 31 December 2007, have been reclassified to “other non-current assets” in the balance sheet as of 31 December 2007 prepared on a comparative basis.

* Current income tax liabilities: Current income tax liabilities amounting to TL2.409.603, which were classified under “provisions” in the balance sheet as of 31 December 2007, have been reclassified to “current income tax liabilities” in the balance sheet as of 31 December 2007 prepared on a comparative basis.

* Other current liabilities: Payables to personnel amounting to TL156.004, which were classified under “due to related parties” have been reclassified to “other current liabilities” in the balance sheet as of 31 December 2007 prepared on a comparative basis.

* Other long-term payables: Items amounting to TL302.161, which were classified under “long-term trade payables” have been reclassified to “other long-term payables” in the balance sheet as of 31 December 2007 prepared on a comparative basis.

* Adjustment to share capital: Inflation adjustment to shareholder’s equity amounting to TL16.513.550 reported in the balance sheet as of 31 December 2007, has been reclassified to “adjustment to share capital” in the balance sheet as of 31 December 2007 prepared on a comparative basis.

* Restricted reserves: “Legal reserves” amounting to TL8.387.003 in the balance sheet as of 31 December 2007, have been reclassified to “restricted reserves” in the balance sheet as of 31 December 2007 prepared on a comparative basis.

* Retained earnings: “Inflation adjustment to shareholders’ equity” amounting to TL10.381.855 and “Extraordinary reserves” amounting to TL8.290.574 in the balance sheet as of 31 December 2007, have been reclassified to “retained earnings” in the balance sheet as of 31 December 2007 prepared on a comparative basis.

* Share of results of investment in associates: Share of results of investment in associates amounting to TL6.828.176, which were classified under "other operating income" and share of results of investment in associates amounting to TL5.697.395, which were classified under "other expense" in the statement of income for the year ended 31 December 2007, have been reclassified to "share of results of investment in associates" in the statement of income for the year ended 31 December 2007 prepared on a comparative basis.

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

* Finance income: “Other income” amounting to TL11.762.050 in the statement of income for the year ended 31 December 2007, have been reclassified to “finance income” in the statement of income for the year ended 31 December 2007 prepared on a comparative basis.

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 are presented as net if the nature of the transaction or the event qualify for offsetting.

2.6 Summary of Significant Accounting Policies

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

2.6.1 Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries are made, services are given and significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions given (Note 28). Interest income is recognised on a time-proportion basis using the effective interest method. The amount of the provision for trade receivables is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Interest income on loans is recognised using the effective interest rate. Rent income is recognized on an accrual basis. Dividend income is recognised when the Company’s right to receive the payment is established.

2.6.2 Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the monthly weighted average basis (Note 13).

2.6.3 Property, plant and equipment

The Company’s land, buildings, machinery and equipment are stated at their fair values based on the valuations performed by the external independent valuers, namely Elit Gayrimenkul Değerleme A.Ş. for land and buildings and Vakıf Gayrimenkul Ekspertiz ve Değerleme A.Ş. for machinery and equipment as of 31 December 2008. All other items of property, plant and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL 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 (Note 18).

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

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

Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statements of income) and the depreciation based on the asset's original cost is transferred from retained earnings to the revaluation reserves.

Buildings, land improvements, machinery and equipments are capitalised and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity. Residual values of property, plant and equipment are deemed as negligible. The advances given for the property, plant and equipment purchases are classified under the other non-current assets until the related asset is capitalised (Note 26.b).

Depreciation is provided on the restated or revalued amounts of property, plant and equipment on a straight-line basis (Note 18). Land is not depreciated as it is deemed to have an indefinite life. The depreciation rates for property, plant and equipment, which are based on the approximate useful lives of such assets, are as follows:

	Rate (%)
Buildings and land improvements	2-6
Machinery and equipments	3-20
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 (Notes 2.6.5 and 18). If the property plant and equipments that are impaired, are revalued, the impairment is charged to the revaluation reserves for an amount equivalent to the increases included in the revaluation reserve in the preceding periods and the remaining amount is recognised in the statement of income.

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 (Note 31). On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

Repairs and maintanance are charged to the statements of income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value or recognise as separate asset, are depreciated based on their useful lives.

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

2.6.4 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. Fair values of investment properties are regularly determined and no depreciation allocated on investment properties. Any resulting increase in fair value is recognised in the income statement, whereas any resultings decrease in the carrying amount of the investment property is recognised in the income statement, however to the extent that the amount in revaluation reserve, if any, for that property, the decrease is charged against the revaluation reserve. The investment properties are stated at fair values determined by the Elit Gayrimenkul Değerleme A.Ş. at 31 December 2008 and 2007 (Note 17).

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 interest in these associates.

2.6.5 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 TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of five to ten years from the date of acquisition. Residual values of intangible assets are deemed as negligible. 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 (Notes 2.6.6 and 19).

2.6.6 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, property, plant and equipment and investment properties that are stated at revalued amounts (Note 18). When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", if there is an indication of impairment with regard to investment in associates, the entire carrying amount of the investments is tested under IAS 36, by comparing its recoverable amount (higher of value-in-use and fair value less cost to sell) with its carrying amount. In this respect, it is determined whether it is necessary to recognise any additional impairment loss with respect to the investor's net investment in the investment-in-associate.

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

Assets are allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level. The recoverable amount of an intangible assets not yet available for use to be measured annually, irrespective of whether there is any indication that it may be impaired. 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 and value in use. All impairment losses are accounted for in the statement of income. Impairment losses 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 been recognized 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 loss was recognised.

2.6.7 Borrowings and borrowings costs

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 33). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 8 and 9).

2.6.8 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) Loans and receivables

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

b) Available-for-sale investments

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

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

All financial investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investments, and subsequently carried at fair value. The financial assets which the Company has shares less than 20% and are classified as available-for-sale investments are carried at market value when there is quoted market price, they are carried at fair value by using generally accepted valuation techniques, when there is no active market for the financial asset. When there is no quoted market price, and when a reasonable estimate of fair value could not be determined as a result of being other methods inappropriate and unworkable, available-for-sale investments acquired before 1 January 2005 are carried at cost expressed in purchasing power of TL as at 31 December 2004 and available-for-sale investments acquired after 1 January 2005 are carried at cost, less impairment losses, if any (Note 7). Unrealized gains and losses arising from changes in fair value of securities classified as available-for-sale are recognised in the equity, rather than statement of income until the related financial asset is derecognised. Change in fair value of available-for-sale investments is calculated as the difference between the discounted acquisition cost and the current fair value. Dividends on available-for-sale equity instruments are recognised in the statement of income as part of other income when the Company's right to receive payments is established.

When securities classified as available-for-sale are derecognised, the accumulated fair value adjustments in equity are recognised in the statement of income. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator that the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss-is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on investments are not reversed through the statement of income.

2.6.9 Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. The exchange differences that were recorded are recognised in the statement of income.

2.6.10 Business combinations

However, if the parties involved for the transaction are the entities under common control, here between the Company and Yaşar Group Companies, 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 3).

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

2.6.11 Earnings per share

Earnings per share disclosed in the statement 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 36).

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 issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

2.6.12 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 40).

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 that do not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

2.6.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

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

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 22). Provisions are not recognised for future operating losses.

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

2.6.14 Accounting policies, errors and changes in accounting estimates

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

2.6.15 Related parties

For the purpose of these financial statements, 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 37).

2.6.16 Segment reporting

The Company operates in milk and diary products sector and total gross sales generated from these operations constitutes the 81% (2007: 80%) of total gross sales. Domestic sales constitutes the 94% (2007: 95%) of total gross sales, and 89% (2007: 90%) of such sales in domestic market, are made to its associate, YBP (Note 37.ii.a). Sales made to YBP do not materially differ from sales to third parties, and generally affected by the market conditions in the meat and meat products industry. Majority of the exports of the Company is made to Yataş, which is also a Yaşar Group company (Note 37.ii.a), and export sales do not constitute a material portion. Based on those reasons, segment reporting is not applicable.

2.6.17 Leases

(1) The Company as the lessee

Finance Leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property net off any tax incentives received, if any, or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities (Note 8). 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 lower of useful life or the lease period of the asset (Note 18).

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 income statement on a straight-line basis over the period of the lease.

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

(2) The Company as the lessor

Operating Leases

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

2.6.18 Taxation on income

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date (Note 35). The adjustments related to prior period tax liabilities are recognised in other operating expenses. Deferred income tax is recognised in the statement of income, except to the extent that it relates to items recognised directly in equity. In case, when the tax is related to items recognized directly in equity, the tax is also recognized in equity.

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 35).

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 be reversed. Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly (Note 35).

2.6.19 Provision for employment termination benefits

In accordance with the Turkish Labor Law, 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 statement of income (Note 24).

2.6.20 Statement of cash flows

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities. 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 statement of cash flows, cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

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

(2) The Company as the lessor

Operating Leases

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

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

2.6.21 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. 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. Where the original maturity of such loans are within three months, they are recognised in cash and cash equivalents (Note 6).

2.6.22 Trade receivables and provision for impairment of receivables

Trade receivables that are realised by the Company by way of providing goods or services directly to a debtor are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. Short-term trade receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 10).

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income in the statement of income (Note 31).

2.6.23 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. Dividend income is recognized when the Company's right to receive the payment is established.

2.6.24 Derivative financial instruments

Derivatives are initially recognised at fair value 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 9).

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 finance income (Note 32) and finance expenses (Note 33).

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

2.6.25 Critical accounting estimates and judgements

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognised as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although these estimates and assumptions rely on the Company management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Company management are as follows:

a) 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.

b) 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 7).

c) Revalution of land, buildings and land improvements, machinery and equipments

At 31 December 2008, land, land improvements and buildings, were stated at fair value, based on valuations performed by external independent valuers as of the same date. As there were not any recent similar buying/ selling transactions nearby, revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach. In the market reference comparison method, current market information was utilised, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for lands subject to the valuation. The similar lands identified were compared in terms of location, size, settlement status, physical conditions; real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilised. In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components. Regarding the valuation of the machinery and equipment, technologic conditions, actual depreciation, commercial attributes and industrial positions as well as dismantling and assembling costs were taken into account. Since a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line (Note 17 and 18).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 3 - 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 was available-for-sale 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 4 - JOINT VENTURES

None (2007: None).

NOTE 5 - SEGMENT REPORTING

The Company operates in milk and diary products sector and total gross sales generated from these operations constitutes the 81% (2007: 80%) of total gross sales. Domestic sales constitutes the 94% (2007: 95%) of total gross sales, and 89% (2007: 90%) of such sales in domestic market, are made to its associate, YBP (Note 37.ii.a). Sales made to YBP do not materially differ from sales to third parties, and generally affected by the market conditions in the meat and meat products industry. Majority of the exports of the Company is made to Yataş, which is also a Yaşar Group company (Note 37.ii.a), and export sales do not constitute a material portion. Based on those reasons, segment reporting is not applicable.

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2008	31 December 2007
Cash in hand	11.714	20.496
Banks	5.256.636	526.172
- time deposits	5.034.145	-
- Turkish Lira	3.295.000	-
- Foreign currency	1.739.145	-
- demand deposits	222.491	526.172
- Turkish Lira	128.709	460.225
- Foreign currency	93.782	65.947
Loans to banks	-	10.050.000
	5.268.350	**10.596.668**

As of 31 December 2008, time deposits amounting to TL3.295.000 and USD1.150.000, equivalent of TL1.739.145 (2007: None), mature within one month and bear the effective weighted average interest rates of 16,50% and 2,5% per annum ("p.a."), respectively.

Demand deposits at 31 December 2008 include foreign currency denominated balances comprising of USD1.743 and EUR42.575, equivalent of TL93.782 (2007: USD38.720, EUR11.457 and GBP540, equivalent of TL65.947), whereas cash in hand includes foreign currency denominated balances comprising of USD2.590 and EUR1.710, equivalent of TL7.576 (2007: USD2.860 and EUR4.640, equivalent of TL11.266) at 31 December 2008. As of 31 December 2008, no loans to bank exists (2007: maturing at 3 January 2008, with the effective weighted average interest rate of 16,60% p.a).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 7 - FINANCIAL ASSETS

	31 December 2008	31 December 2007
Available-for-sale investments	20.454.629	38.819.524
Other financial assests (Note 8)	1.150.800	-
	21.605.429	**38.819.524**

Available-for-sale investments:

	31 December 2008		31 December 2007	
	TL	**%**	**TL**	**%**
Pınar Entegre Et ve Un Sanayi A.Ş. (“Pınar Et”)	11.012.538	12,58	23.987.708	12,58
Çamlı Yem Besicilik San. ve Tic. A.Ş. (“Çamlı Yem”)	5.496.961	5,47	6.310.194	5,47
Pınar Su San. ve Tic. A.Ş. (“Pınar Su”)	3.074.691	8,81	7.630.620	8,81
Yataş	767.344	1,96	797.711	1,96
Bintur Turizm ve Catering Hizmetleri A.Ş. (“Bintur”)	83.734	1,33	73.930	1,33
Other	19.361	-	19.361	-
	20.454.629		**38.819.524**	

Pınar Et and Pınar Su were stated at quoted market prices as they are listed on ISE; Yataş, Bintur and Çamlı Yem were stated at their fair values which are determined based on one of the generally accepted valuation methods, based on discounted cash flows. As of 31 December 2008, the discount and growth rates used in discounted cash flow models are as follows:

	Discount rate	Growth rate
Çamlı Yem	%15,62	%2
Yataş	%15,25	%0
Bintur	%17,50	%0

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 7 - FINANCIAL ASSETS (Continued)

Movements of available-for-sale investments in 2008 and 2007 were as follows:

	2008	2007
1 January	**38.819.524**	**27.224.040**
Additions:		
Desa Enerji - capital increase	-	5.800.000
Reclassification to investments in associates:		
Desa Enerji (*)	-	(5.800.000)
Fair value (loss)/ gain:	**(18.148.941)**	**11.634.884**
Pınar Et	(12.975.170)	9.267.978
Pınar Su	(4.555.929)	3.994.854
Çamlı Yem	(597.279)	(2.131.749)
Yataş	(30.367)	503.801
Bintur	9.804	-
Impairment loss (Note 31.b):	**(215.954)**	**(39.400)**
Çamlı Yem	(215.954)	-
Bintur	-	(39.400)
31 December	**20.454.629**	**38.819.524**

(*)Based on the decisions of the Board of Directors, dated at 4 and 5 September 2007, the Company has participated in the capital increase of Desa Enerji, and as a result the shareholding rate of the Company in Desa Enerji increased to 30,52% and Desa Enerji has been accounted for as an associate since then.

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

	2008	2007
1 January	**14.562.340**	**3.584.770**
(Decrease)/ increase in fair value of Pınar Et	(12.975.170)	9.267.978
(Decrease)/ increase in fair value of Pınar Su	(4.555.929)	3.994.854
Decrease in fair value of Çamlı Yem	(597.279)	(2.131.749)
(Decrease)/ increase in fair value of Yataş	(30.367)	503.801
Increase in fair value of Bintur	9.804	-
Deferred income tax on fair value reserve of available-for-sale investments (Note 35)	852.690	(657.314)
31 December	**(2.733.911)**	**14.562.340**

Other financial assets:

As of 31 December 2008; other financial assets amounting to TL1.150.800 consist of receivables from derivative financial instruments and have been disclosed in detail in Notes 8 and 9 (2007: None).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 8 - FINANCIAL LIABILITIES

	31 December 2008	31 December 2007
Short-term borrowings	14.796.907	5.092.831
Short-term finance lease obligations	169.750	138.878
	14.966.657	5.231.709
Short-term derivative liabilities	459.765	501.095
Short-term financial liabilities and other financial liabilities	**15.426.422**	**5.732.804**
Long-term borrowings	14.506.590	11.014.091
Long-term finance lease obligations	499	136.003
	14.507.089	11.150.094
Long term derivative (assets)/ liabilities	(1.150.800)	1.432.800
Long-term financial liabilities, other financial assets and other financial liabilities	**13.356.289**	**12.582.894**
Total financial liabilities, other financial assets and other financial liabilities	**28.782.711**	**18.315.698**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 8 - FINANCIAL LIABILITIES (Continued)

a) Bank borrowings and other financial liabilities:

	Effective weighted average interest rate p.a. %		Original currency		TL equivalent	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Short-term bank borrowings:						
TL borrowings (*)	18,42	(*) -	12.674.902	607.291	12.674.902	607.291
Short –term portion of long-term bank borrowings:						
USD borrowings (**)	7,88	9,13	635.530	2.761.292	961.112	3.216.077
EUR borrowings (***)	8,23	8,24	311.374	742.289	666.590	1.269.463
CHF borrowings	2,27	-	345.667	-	494.303	-
					14.796.907	**5.092.831**
Derivative liabilities:						
Cross currency swaps	-	-	459.765	501.095	459.765	501.095
Total short-term borrowings					**15.256.672**	**5.593.926**
Long-term borrowings:						
EUR borrowings (***)	10,56	9,96	6.314.454	6.440.236	13.517.983	11.014.091
CHF borrowings	2,27	-	691.333	-	988.607	-
					14.506.590	**11.014.091**
Derivative financial (assets)/ liabilities:						
Cross currency swaps	-	-	(1.150.800)	1.432.800	(1.150.800)	1.432.800
Total long–term financial liabilities					**13.355.790**	**12.446.891**

(*) TL denominated short-term bank borrowings are comprised of spot borrowings without interest charge as of 31 December 2008.
(**) USD denominated bank borrowings mainly consist of with quarterly and semi-annually floating interest rates between Libor +3,50% and +5% (2007: quarterly and semi-annually floating interest rates between Libor +3,5% and +5%).
(***) EUR denominated bank borrowings mainly consist of with quarterly and semi-annually floating interest rates between Euribor +0,75% and +5,60% (2007: quarterly and semi-annually floating interest rates between Euribor +0,75% and +5,60%).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 8 - FINANCIAL LIABILITIES (Continued)

Based on the loan agreement undersigned on 27 September 2006 between the Company and Morgan Stanley International Limited, the Company received a borrowing amounting to EUR6.000.000 with a maturity date of 27 September 2013 and with an interest rate of Euribor + 5,60% p.a.. Yaşar Holding, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş., DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş. have undersigned this loan agreement as the guarantors of this borrowing obtained. With respect to a long term borrowing of EUR6.000.000, the Company 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 EUR6.000.000 with the interest rate of Euribor + 5,60% p.a., with a currency swap amounting to TL11.694.000, using the interest rate of TL swap curve +8,50% p.a.. The gain or loss relating to the cross currency swaps is recognized in the income statement in finance income (Note 32) and finance expenses (Note 33). The notional principal amount of the cross currency swap amounts to TL24.538.800 as at 31 December 2008
(2007: TL21.995.200).

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 2008, the Company management expects to meet those financial ratios. Thus, the loan maturing in 2013 has been recognising as long-term bank borrowings in the financial statements.

Guarantees given related with the bank borrowings and financial liabilities are stated in Note 18 and 22.

The redemption schedule of long-term bank borrowings at 31 December is as follows:

	31 December 2008	**31 December 2007**
2009	-	215.112
2010	748.612	215.112
2011	763.577	215.112
2012	149.601	107.555
2013	11.694.000	11.694.000
	13.355.790	**12.446.891**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 8 - FINANCIAL LIABILITIES (Continued)

As of 31 December 2008 and 2007 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 2008 and 2007 are as follows:

	Up to 3 months	3 months to 1 year	Total
- 31 December 2008:			
Bank borrowings with floating rates	17.042.774	955.718	17.998.492
Bank borrowings with fixed rates	-	-	10.613.970
Total			**28.612.462**
- 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**

According to the interest rate sensitivity analysis performed at 31 December 2008, if interest rates on bank borrowings had been 1% higher while all other variables being constant, net income for the current year would be TL47.379 lower (2007: TL307 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**	
	31 December 2008	**31 December 2007**	**31 December 2008**	**31 December 2007**
Bank borrowings	**28.612.462**	**18.040.817**	**30.129.894**	**17.203.293**

The fair values are based on cash flows discounted using the rates based on the borrowing rates of 2,80% p.a., 1,24% p.a., 0,81% p.a. and 19,48% p.a. for EUR, USD, CHF and TL denominated bank borrowings as of 31 December 2008, respectively (2007: 4,809% p.a., 4,53% p.a. and 25,76% p.a. for EUR, USD and TL denominated bank borrowings, respectively).

	31 December 2008	**31 December 2007**
b) Finance lease obligations:		
Short-term finance lease obligations	169.750	138.878
Long-term finance lease obligations	499	136.003
	170.249	**274.881**

At 31 December 2008, finance lease obligations consisted of EUR79.495 and USD44 (2007: EUR160.702, USD44).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 8 - FINANCIAL LIABILITIES (Continued)

Effective weighted average interest rate of finance lease obligations is 8,64% p.a. (2007: 8,64% p.a.). The carrying values of finance lease obligations are assumed to approximate their fair values.

The redemption schedule of long-term finance lease obligations at 31 December 2008 is as follows:

	31 December 2008	31 December 2007
2009	-	135.607
2010	499	396
	499	**136.003**

NOTE 9 – OTHER FINANCIAL LIABILITIES

Please see Note 8.

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

	31 December 2008	31 December 2007
a) Short-term trade receivables:		
Customer current accounts	1.820.473	1.110.007
Cheques and notes receivable	9.473.278	3.797.308
Other	35.841	36.341
	11.329.592	4.943.656
Less: Provision for impairment of receivables	(553.604)	(37.430)
Unearned finance income	(112.430)	(78.631)
	10.663.558	**4.827.595**

The effective weighted average interest rate on TL denominated trade receivables is 16,44% p.a. as of 31 December 2008 (2007: 16,10% p.a.). Customer current accounts and notes receivable are all short term and maturing within two months (2007: one and two months, respectively).

The agings of cheques and notes receivables are as follows:

Overdue	148.137	-
0-30 days	5.598.328	2.269.242
31-60 days	3.269.772	845.339
61-90 days	252.041	-
91 days and over	205.000	682.727
	9.473.278	**3.797.308**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

Collaterals received for trade receivables

Trade receivables mainly resulted from sales of milk and dairy products. As of 31 December 2008, the Company has trade receivables amounting to TL10.663.558 (2007: TL4.827.595), over which no provision for impairment is provided. The Company management does not expect any collection risk regarding those receivables based on its past experience (Note 38).

The aging analysis of trade receivables

The agings of trade receivables as of 31 December 2008 and 2007, over which no provision for impairment is provided, are as follows:

	31 December 2008	31 December 2007
Overdue	556.657	339.034
0-30 days	6.033.848	2.853.143
31-60 days	3.632.901	996.228
61-90 days	244.105	-
91days and over	196.047	639.190
	10.663.558	**4.827.595**

As of 31 December 2008, trade receivables of YTL556.657 (2007: TL339.034), over which no provision for impairment is provided, were past due and the Group holds collateral of TL35.056 (2007: TL71.302) as security for such receivables. The excess of trade receivables over guarantees received amounted to TL521.601 as of 31 December 2008 (2007: TL246.202). The Company management does not expect any collection risk regarding those receivables based on its past experience.

The aging of overdue receivables as of 31 December 2008 and 2007 are as follows;

	31 December 2008	31 December 2007
0-3 months	273.675	309.704
3-6 months	282.982	29.330
	556.657	**339.034**

Movements in the provision for impairment of receivables are as follows:

	2008	2007
1 January	**37.430**	**37.430**
Charge to the statement of income (Note 31.b)	516.174	-
31 December	**553.604**	**37.430**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2008	31 December 2007
b) Short term trade payables:		
Supplier current accounts	46.859.764	44.428.796
Less: Unincurred finance cost	(318.053)	(357.456)
	46.541.711	**44.071.340**

The effective weighted average interest rate on short-term trade payables is 16,43% p.a. as of 31 December 2008 (2007: 15,67% p.a.). Trade payables mature within two months (2007: four months).

c) Long term trade payables:

Supplier current accounts	14.622.499	9.772.296
	14.622.499	**9.772.296**

Long-term trade payables amounting to TL5.054.913 and EUR4.469.164 (2007: EUR5.714.124) consists of purchases of property, plant and equipments and intangibles, and the effective weighted average interest rate is 5,03% p.a. (2006: 5,65 % p.a.).

The redemption schedules of long-term trade payables at 31 December 2008 and 2007 are as follows:

	31 December 2008	31 December 2007
2009	-	3.459.315
2010	6.390.809	3.281.460
2011	3.912.461	2.227.911
2012	2.489.720	803.610
2013	1.829.509	-
	14.622.499	**9.772.296**

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

	31 December 2008	31 December 2007
a) Other short term receivables:		
Receivables from insurance companies	225.262	225.262
Value Added Tax (“VAT”) receivables	26.723	2.219.219
Deposits and guarantees given	1.062	6.431
Other	3.268	742
	256.315	**2.451.654**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 11 - OTHER RECEIVABLES AND PAYABLES (Continued)

	31 December 2008	31 December 2007
b) Other long term receivables:		
Deposits and guarantees given	**1.673**	**2.587**
c) Other long term payables:		
Deposits and guarantees received	**49.923**	**302.161**

NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2007: None).

NOTE 13 - INVENTORIES

	31 December 2008	31 December 2007
Raw materials	12.083.370	15.346.553
Raw materials in-transit	2.678.138	1.716.206
Work-in-progress	8.794.365	5.092.692
Finished goods	12.690.451	11.441.074
Trade goods	1.153.122	892.326
Spare parts	2.422.194	2.321.193
Other (*)	179.164	95.399
	40.000.804	**36.905.443**

(*) Other inventories consist of promotion stocks.

The cost of inventories recognised as expense and included in cost of sales amounted to TL351.821.800 (2007: TL322.038.419) (Note 30). Inventories are valued at at cost, and there are no inventories valued at fair value less costs to sell as of 31 December 2008.

NOTE 14 - BIOLOGICAL ASSETS

None (2007: None).

NOTE 15 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

None (2007: None).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 16 - INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD (Continued)

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

	31 December 2008			31 December 2007		
	Assets	Liabilities	Profit/ (Loss) for the year	Assets	Liabilities	Profit/ (Loss) for the year
- YBP	222.143.836	141.855.520	16.879.574	201.112.170	123.436.163	14.528.182
- Desa Enerji	13.386.388	5.653.213	(2.485.526)	13.253.039	12.916.849	(5.738.715)
- Pınar Foods	6.022.070	884.150	921.346	7.167.448	4.012.129	744.937
- Pınar Anadolu	6.317.107	1.979.540	2.455.031	7.451.583	2.572.085	3.298.118

NOTE 17 - INVESTMENT PROPERTY

	1 January 2008	Additions	Disposals	Fair value loss charged against revaluation fund (Note 18)	31 December 2008
Fair Value:					
Buildings	960.026	-	-	-	960.026
Net book value	**960.026**				**960.026**

	1 January 2007	Additions	Disposals	Fair value loss charged against revaluation fund (Note 18)	31 December 2007
Fair Value:					
Buildings	1.058.751	-	-	(98.725)	960.026
Net book value	**1.058.751**				**960.026**

Investment properties are stated at fair values determined by Elit Gayrimenkul Değerleme A.Ş at 31 December 2008.

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the period between 1 January - 31 December 2008 are as follows:

	1 January 2008 Opening	Additions	Disposals	Revaluation	Reversal of impairment (Note 31.b)	Transfers	31 December 2008 Closing
Cost/ valuation:							
Land	54.906.950	7.196.146	-	1.056.905	-	-	63.160.001
Buildings and land improvements	87.110.448	192.133	-	2.651.357	-	-	89.953.938
Machinery and equipment	188.660.637	3.465.747	(3.211.285)	5.884.202	1.364.796	3.952.571	200.116.668
Motor vehicles	5.811.748	20.200	(407.854)	-	-	-	5.424.094
Leased motor vehicles	2.223.121	-	-	-	-	-	2.223.121
Furnitures and fixtures	32.770.195	1.736.431	(234.319)	-	-	-	34.272.307
Construction in progress	362.114	3.936.737	-	-	-	(3.952.571)	346.280
	371.845.213	**16.547.394**	**(3.853.458)**	**9.592.464**	**1.364.796**	**-**	**395.496.409**
Accumulated depreciation:							
Buildings and land improvements	(27.156.790)	(2.360.116)	-	-	-	-	(29.516.906)
Machinery and equipment	(102.611.937)	(6.517.772)	1.734.367	-	-	-	(107.395.342)
Motor vehicles	(5.501.576)	(127.986)	404.944	-	-	-	(5.224.618)
Leased motor vehicles	(820.749)	(286.575)	-	-	-	-	(1.107.324)
Furnitures and fixtures	(21.845.208)	(2.393.632)	189.852	-	-	-	(24.048.988)
	(157.936.260)	**(11.686.081)**	**2.329.163**				**(167.293.178)**
Net book value	**213.908.953**						**228.203.231**

The Company has given mortgages amounting to TL27.371.002 as of 31 December 2008 (2007: TL33.186.893) for loans obtained from several financial institutions (Note 22). The major addition to land is composed of purchase of a land in Manisa Industrial Zone (Note 22.e).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	1 January 2007	Additions	Disposal	Revaluation	Reversal of impairment (Note 31.b)	Transfers	31 December 2007
Cost/ valuation:							
Land	36.244.000	3.988.950	-	14.674.000	-	-	54.906.950
Buildings and land improvements	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	1.575.845	679.247	-	-	-	(1.892.978)	362.114
	331.013.714	**21.437.960**	**(2.051.879)**	**21.069.124**	**376.294**	**-**	**371.845.213**
Accumulated depreciation:							
Buildings and land improvements	(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	**183.014.661**						**213.908.953**

The major additions to land in 2007 related to the the land and building purchase from Çamlı Yem (Note 37.ii.h).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year's depreciation and amortisation charges were allocated to cost of production by TL8.356.497 (2007: TL8.229.318), to costs of invent-pries by TL428.170 (2007: TL227.563), to general and administrative expenses by TL1.325.522 (2007: TL1.368.701) (Note 29), to selling and marketing expenses by TL2.465.688 (2007: TL2.676.375) (Note 29), and to research and development expenses by TL192.010 (2007: TL136.683) (Note 29).

Market Valuation

The Company's land, land improvements and buildings, machinery and equipment previously revalued at 31 December 2007, was updated as of 31 December 2008 by the independent professional valuation company. Revaluations of land were based on market reference comparison method. However, since there were not any recent similar buying/ selling transactions nearby, revaluations of land improvements and buildings were derived from cost approach method considering recent re-construction costs and related depreciation. The valuation of the machinery and equip-ment is based on all the active and functioning assets in the integrated plants. Such machinery and equipment were reviewed assets and their lines (Note 2.6.25.c).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2008 and 2007 were as follows:

	2008	2007
1 January	**80.225.122**	**58.126.400**
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	4.373.332	19.145.745
Decrease in revaluation reserve arising from revaluation of land, land improvements and buildings	(665.070)	(1.491.211)
Increase in revaluation reserve arising from revaluation of machinery, plant and equipment	5.884.202	3.540.407
Decrease in revaluation reserve arising from revaluation of machinery, plant and equipment	-	(125.817)
Deferred income tax on depreciation transfer	524.352	483.604
Depreciation transfer calculated on revaluation reserve	(2.621.759)	(2.418.020)
Disposal from revaluation reserve due to sales of property, plant and equipment	(96.018)	-
Deferred income tax calculated on disposal from property, plant and equipment	19.204	-
Deferred income tax calculated on increase in revaluation reserve	(1.759.957)	(1.992.980)
Decrease in revaluation reserve arising from revaluation of investment property (Note 17)	-	(98.725)
31 December	**85.883.408**	**80.225.122**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amounts of each class of property, plant and equipment that would have been recognised if the assets have been carried under the cost model at 31 December 2008 and 2007 are as follows:

31 December 2008:	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	15.536.817	38.736.022	174.966.828
Less: Accumulated depreciation	-	(11.430.487)	(99.770.541)
Net book value	**15.536.817**	**27.305.535**	**75.196.287**

31 December 2007:	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	8.340.670	38.543.889	167.548.510
Less: Accumulated depreciation	-	(10.471.254)	(94.457.541)
Net book value	**8.340.670**	**28.072.635**	**73.090.969**

NOTE 19 - INTANGIBLE ASSETS

The movements of intangible assets for the years ended 31 December 2008 and 2007 were as follows:

	1 January 2008	**Additions**	**Impairment of (Note 31.b)**	**31 December 2008**
Cost:				
Rights	10.196.912	4.922	(653.853)	9.547.981
Less: Accumulated amortisation	(7.221.784)	(1.081.806)	-	(8.303.590)
Net book value	**2.975.128**			**1.244.391**

	1 January 2007	**Additions**	**Impairment of (Note 31.b)**	**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**

NOTE 20 - POSITIVE/ NEGATIVE GOODWILL

None (2007: None).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 21 - GOVERNMENT GRANTS

None (2007: None).

NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2008	31 December 2007
a) Short-term provisions:		
Management bonus accruals	1.350.000	1.350.000
Expense accruals (**)	257.830	40.596
Provision for litigations	127.394	193.530
Provision for seniority incentive bonus	60.678	-
Other	14.429	59.867
	1.810.331	**1.643.993**

(**) The subsantial portion of expense accruals is comprised of provisions allocated for waste water expenses.

	31 December 2008	31 December 2007
b) Long-term provisions:		
Provision for seniority incentive bonus	**145.300**	-

c) Guarantees given

Bails	670.070.400	535.292.600
Mortgages	27.371.002	33.186.983
Letters of guarantee	7.775.472	3.480.963
Guarantee notes	2.000.000	1.800.000
	707.216.874	**573.760.546**

As of 31 December 2008, guarantees given are mainly related with joint guarantees provided by the Company along with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. for repayment of borrowings obtained by Yaşar Group Companies from international capital markets amounting to EUR313 million (equivalent of TL670.070.400) (2007: EUR313 million, equivalent of TL535.292.600).

d) Guarantees received:

Bails	12.844.800	10.261.200
Letters of guarantee	2.616.965	6.144.182
Guarantee cheques	1.085.802	1.293.615
Guarantee notes	432.723	495.095
	16.980.290	**18.194.092**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

Foreign currency denominated guarantees are as follows:

Guarantees given	EUR	313.000.000	313.000.000
Mortgages given	USD	7.500.000	17.500.000
	EUR	7.487.272	7.487.272
Guarantees received	EUR	6.480.296	7.402.193
	USD	155.523	122.717

e) Contingent liabilities:

*On 22 July 2008, TL1.539.003 was paid as first payment to Manisa Industrial Zone, for the land allocation amount of TL7.695.033, remaining TL6.156.030 was agreed to be paid on installments. Pursuant to the "Land Allocation Agreement with Sale Commitment" dated 22 July 2008 with Manisa Industrial Zone, license of the allocated land will be granted to the Company without having loyalty provision if the facility is built and production starts, in the case of the facility not starting production, a loyalty provision will be added but no pawn will be imposed in granting license to the Company

On the other hand, in the following cases, land allocation can be cancelled but these periods can be extended upon conceivable applications by the Company.

- If projects related to the structure to be constructed within one year since the allocation date are not certified by Manisa Industrial Zone, and construction license is not obtained,

- If "Environmental Effect Evaluation (EEE) Positive Decision", or "Environmental Effect Insignificant" decision after EEE preliminary research report cannot be obtained,

- According to the progress in infrastructure construction, since Manisa Industrial Zone announcement date;

- If construction is not initiated within one year after obtainment of license,
- If no production is started within 2 years since license date.

Time in question did not expire as of 31 December 2008.

* Based on the negotiations with Bornova Municipality Housing Department, it is identified that the parcels in Pınarbaşı-Izmir, on which there are Company's lands, buildings and land improvements, are located within the "Urban Workspaces". As of 31 December 2008, fair value of afore-mentioned properties located on the parcels is amounting to TL61.305.000. If the building development scheme comes into force, Bornova Municipality may reduce the legal area on title deeds of those properties. Based on the process, it is not likely to make a reliable estimation and the amount of possible reduction over those parcels can not be reliably estimated. The Company management expects that the impact of such reduction will be immaterial to the financial statements.

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 23 -COMMITMENTS

a) Purchase commitments:

As of 31 December 2008, the Company has purchase commitments of 570 tons concentrated fruit juice (2007: 3.833 tons, equivalent of TL11.450.071), 413 tons of tomato sauce (2007: None), equivalent of TL1.801.695 and TL1.017.168, respectively, and cleaning material amounting to TL128.746 (2007: None). The Company has no purchase commitments of rare milk purchases as of 31 December 2008 (2007: 8.990 tons, equivalent of TL6.443.808).

b) Sales Commitments:

None (2007: None).

c) Other commitments:

As a result of the agreement undersigned by the Company's associate, YBP, with one of the suppliers, the Company has guaranteed the redemption of YBP's payable to the supplier by TL20.668.309 as of 31 December 2008 (2007: TL12.701.941).

NOTE 24 - EMPLOYEE BENEFITS

	31 December 2008	31 December 2007
Provision for employment termination benefits	3.799.007	3.201.538
	3.799.007	**3.201.538**

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 reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL2.173,18 for each year of service as of 31 December 2008 (2007: TL2.030,19). 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 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 TL2.260,05 which is effective from 1 January 2009 (1 January 2008: TL2.087,92) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

The following actuarial assumptions were used in the calculation of the total liability:

	31 December 2008	31 December 2007
Discount rate (%)	6,26	5,71
Probability of retirement (%)	96,47	96,29

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 24 - EMPLOYEE BENEFITS (Continued)

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

	2008	2007
1 January	**3.201.538**	**2.889.504**
Interest costs	200.416	164.991
Actuarial losses	741.429	217.084
Paid during the year	(929.785)	(447.883)
Annual charge	585.409	377.842
31 December	**3.799.007**	**3.201.538**

The total of interest costs, actuarial gains and losses and annual charge for the year amounting to TL1.527.254 (2007: TL759.917) was included in general administrative expenses (Note 29).

NOTE 25 - PENSION PLANS

None (2007: None).

NOTE 26 - OTHER ASSETS AND LIABILITIES

	31 December 2008	31 December 2007
a) Other current assets:		
Order advances given	1.542.018	5.993.895
Value Added Tax (“VAT”) receivable	663.666	-
Prepaid expenses	527.793	673.071
Receivable from personnel	45.964	54.316
Other	70.853	3.885
	2.850.294	**6.725.167**
b) Other non-current assets:		
Advances given	295.553	202.646
Prepaid expenses	-	45.607
	295.553	**248.253**
c) Other current liabilities:		
Taxes payable (*)	2.126.223	-
Payable to personel	1.128.547	156.004
Witholding taxes and funds payable	981.045	965.818
Other	119.767	7.592
	4.355.582	**1.129.414**

(*) As of 31 December 2008, the Company has overdue and unpaid taxes amounting to TL2.126.223 including interest accrual of TL61.588, in accordance with applicable Corporate Tax Law (Note 31.b).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 27 - EQUITY

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of TL1. The Company's historical authorised registered share capital at 31 December 2008 is TL 80.000.000.

The compositions of the Company's share capital at 31 December 2008 and 2007 were as follows:

	31 December 2008		31 December 2007	
	Share (%)	**TL**	**Share (%)**	**TL**
Yaşar Holding (A,B,C)	61,19	27.503.258	61,19	27.503.258
Public quotation (C)	37,95	17.060.367	37,95	17.060.367
Other	0,86	387.426	0,86	387.426
Capital	**100**	**44.951.051**	**100**	**44.951.051**
Adjustment to share capital		16.513.550		16.513.550
Total paid-in capital		**61.464.601**		**61.464.601**

Adjustment to share capital amounting to TL16.513.550 (2007: TL16.513.550) represents the remaining amount after netting-off the accumulated losses of 2003 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment).

As of 31 December 2008, there are 44.951.051 (2007: 44.951.051) units of shares with a face value of TL1 each (2007: TL1 each).

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.

Retained earnings, as per the statutory financial statements, 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.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. At 31 December 2008, the restricted reserves of the Company amount to TL13.981.411 TL (2007: TL8.387.003). The unrestricted reserves of the Company, amounting to TL8.883.311 (2007: TL8.290.574), is classified in the retained earnings.

NOTE 27 - EQUITY (Continued)

In accordance with the CMB regulations effective until 1 January 2008, inflation adjustment differences arising at the initial application inflation accounting, which were recorded under "accumulated losses," could be net off from the profit to be distributed based on the CMB regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be net off against the reserves arising from the inflation adjustment of net profit for the period and undistributed retained earnings. Remaining amount, if any, could be net off against the reserves arising from the inflation adjustment of extraordinary reserves, legal reserves and share capital, respectively.

In addition, in accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment to shareholders' equity" in equity at the initial application of inflation accounting. "Inflation adjustment to shareholders' equity" could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (like inflation adjusments) shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Adjustment to Share Capital";

- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained earnings". Other equity items shall be carried at the amounts in accordance with the CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

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

The minimum profit distribution ratio over net profit for 2008 applicable for public companies, shares of which are publicly traded on Istanbul Stock Exchange, is 20% (2007: 20%), as described in the announcement of CMB dated 9 January 2009. According to the aforementioned announcement and CMB Communiqué No: IV, No: 27, in which profit distribution base of publicly traded companies is set, 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.

The procedure in the context of the aforementioned CMB decision about that income from investment in associate recognised in the financial statements should be disregarded in case, if the profit distribution is not approved by the general assemblies of the associates. The procedure of disclosing such amounts has been cancelled. As long as the statutory accounts and reserves are sufficient the profit in the financial statements prepared in accordance with the Communiqué No. XI-29 can be utilised in the calculation of profit distribution.

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 27 - EQUITY (Continued)

Accordingly, based on the related decision, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the whole amount of distributable profit in accordance with the CMB requirements, should be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net distributable profit should be distributed. It is stated that dividend distributions should not be made if there is a loss in either the financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

Companies should disclose total reserves including the profit for the period, subject to profit distribution after deducting the accumulated losses in statutory accounts, within the financial statements prepared in accordance with the CMB Communiqué No. XI-29. For the Company, the amount is TL39.695.776. Extraordinary reserves of the Company at 31 December 2008 that may be subject to profit distribution amount to TL26.782.029.

Based on the decision of General Assembly meeting on 15 May 2008, the Company has distributed 20% of the net income for the year 2007 amounting to TL7.727.755 as first dividend, 52% of the paid-in capital amounting to TL23.288.470 as second dividend, total of which amounted to TL31.016.225.

NOTE 28 - SALES AND COST OF SALES

	1 January - 31 December 2008	**1 January - 31 December 2007**
Domestic finished good sales	576.713.623	541.666.006
Export finished good sales	35.339.012	31.752.168
Trade good sales	21.989.727	15.336.490
Other sales	82.722	23.050
Gross Sales	634.125.084	588.777.714
Less:Discounts	(137.235.716)	(124.211.400)
Returns	(14.095.723)	(12.945.667)
Net sales	**482.793.645**	**451.620.647**
Cost of sales (-)	**(393.246.746)**	**(360.856.274)**
Gross profit	**89.546.899**	**90.764.373**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 29 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2008	1 January - 31 December 2007
a) Research and development expenses:		
Staff cost	1.689.834	1.471.057
Material usage	957.174	1.140.618
Outsourced services	779.846	570.610
Depreciation and amortisation (Notes 18 and 19)	192.010	136.683
Consultancy charges	41.561	115.403
Other	606.934	496.839
	4.267.359	**3.931.210**
b) Selling and distribution expenses:		
Advertisement	13.478.984	13.970.718
Transportation	3.876.488	3.564.470
Outsourced services	2.692.380	2.481.364
Depreciation and amortisation (Notes 18 and 19)	2.465.688	2.676.375
Staff cost	2.118.448	2.327.702
Other	2.253.457	1.985.479
	26.885.445	**27.006.108**
c) General administrative expenses:		
Staff cost	5.798.252	4.236.991
Consultancy charges	4.797.084	4.027.453
Management bonus	2.800.000	1.350.000
Employment termination benefits (Note 24)	1.527.254	759.917
Depreciation and amortisation (Notes 18 and 19)	1.325.522	1.368.701
Outsourced services	938.252	1.068.704
Taxes (Corporate tax excluded)	470.356	397.296
Representation and hosting	467.706	446.546
Utilities	375.333	273.738
Communication	355.040	373.061
Other	1.885.467	1.776.747
	20.740.266	**16.079.154**
Total operating expenses	**51.893.070**	**47.016.472**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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NOTE 30 - EXPENSES BY NATURE

	1 January - 31 December 2008	**1 January - 31 December 2007**
Direct material costs	351.821.800	322.038.419
Staff cost	29.305.376	23.502.756
Utilities	14.703.287	13.025.483
Advertisement	13.478.984	13.970.718
Depreciation and amortisation (Notes 18 and 19)	12.339.717	12.411.077
Repair and maintenance	7.228.191	7.832.460
Consultancy charges	4.838.645	4.398.234
Outsourced services	4.524.542	5.294.270
Rent	1.159.495	475.274
Taxes, dues and fees	470.356	397.296
Insurance	120.726	128.964
Other	5.148.697	4.397.795
	445.139.816	**407.872.746**

NOTE 31 - OTHER OPERATING INCOME/ EXPENSES

	1 January - 31 December 2008	**1 January - 31 December 2007**
a) Other operating income:		
Dividend income (Dipnot 37.ii.d)	3.014.003	2.367.398
Rent income	1.264.185	711.052
Reversal of impairment on property, plant and equipment (Note 18)	1.364.796	376.294
Income from sales of scrap	673.624	584.427
Income from sales of property, plant and equipment	26.508	121.632
Other	384.553	614.433
	6.727.669	**4.775.236**
b) Other operating expense:		
Loss on property, plant and equipment sales	(1.463.473)	-
Impairment of intangible assets (Note 19)	(653.853)	-
Bad debt expense (Note 10.a)	(516.174)	-
Impairment on available-for-sale investments (Note 7.a)	(215.954)	(39.400)
Tax penalties (Note 26.c)	(61.588)	-
Donations (Note 37.ii.k)	-	(1.000.000)
Other	(669.953)	(449.360)
	(3.580.995)	**(1.488.760)**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 32 - FINANCE INCOME

	1 January - 31 December 2008	1 January - 31 December 2007
Interest income	3.995.448	5.514.950
Foreign exchange gain	3.331.025	2.824.164
Foreign exchange gain from swap transaction	2.583.600	-
Interest income on term sales	1.762.466	2.010.226
Bail income from related parties (Note 37.ii.c)	1.321.525	1.412.710
	12.994.064	**11.762.050**

NOTE 33 - FINANCE EXPENSES

	1 January - 31 December 2008	1 January - 31 December 2007
Foreign exchange loss	(11.237.622)	(670.227)
Interest expense	(4.852.033)	(2.454.902)
Interest expense from swap transaction	(1.808.427)	(2.200.245)
Bail expense (Note 37.ii.i)	(87.723)	(63.752)
Foreign exchange loss from swap transactions	-	(847.800)
Other	(1.446.625)	(562.101)
	(19.432.430)	**(6.799.027)**

NOTE 34 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2007: None).

NOTE 35 - TAX ASSETS AND TAX LIABILITIES

As of 31 December 2008 and 2007, prepaid income taxes and corporation taxes currently payable are as follows:

	31 December 2008	31 December 2007
Corporation taxes currently payable	8.403.977	11.195.079
Less: Prepaid corporate tax	(6.509.910)	(8.785.476)
Current income tax liabilities	**1.894.067**	**2.409.603**

NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

Corporation tax is payable at a rate of 20% for 2008 (2007: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

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.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2007: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2007: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2007: 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 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 examine 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 offset against future taxable income for up to 5 years. However, tax losses cannot be carried back to offset profits from previous periods.

In Corporate Tax Law, there are many exemptions for corporations, Those related to the Company are explained below:

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.

75% of the 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.

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 8th article of Corporate Tax Law, and 40th article of the Income Tax Law, together with other duductions mentioned in 10th article of Corporate Tax Law, have been taken into consideration in calculation of the Company's corporate tax.

Transfer Pricing

The Law No: 5520 Article 13, which made new arrangements to transfer pricing was effective from 1 January 2007. With the aforementioned law, considerable amendments have been made to transfer pricing regulations by taking EU and OECD transfer pricing guidelines as a basis. In this respect, corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

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. The profit distributed in a disguised manner through transfer pricing completely or partially, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. 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 finalised and paid.

Taxation on income for the years ended 31 December 2008 and 2007 are as follows:

	1 January - 31 December 2008	**1 January - 31 December 2007**
Current corporation tax expense	(8.403.977)	(11.195.079)
Deferred tax income/ (expense)	1.805.933	(990.799)
Taxes on income	**(6.598.044)**	**(12.185.878)**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

The reconciliations of the taxation on income for the years ended 31 December 2008 and 2007 are as follows:

	1 January - 31 December 2008	1 January - 31 December 2007
Profit before tax	40.783.462	51.846.035
Tax calculated at tax rates applicable to the profit	(8.156.692)	(10.369.207)
Deferred income tax calculated on investment property, previously classified as owner occupied property (Note 2.4)	-	(1.321.047)
Share of income taxation of investment in associates	1.284.265	(30.273)
Effect of depreciation transfer (Note 18)	(524.352)	(483.604)
Deferred income tax on available-for-sale investment	(37.118)	(470.585)
Expenses not deductible for tax purposes	(144.109)	(246.547)
Income not subject to tax	61.356	865.896
Other	918.606	(130.511)
Taxation on income	**(6.598.044)**	**(12.185.878)**

Deferred income taxes

The Company recognises deferred income tax assets and liabilities based upon temporary differences arising between financial statements as reported in accordance with the CMB financial reporting standards and its tax purpose financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2007: 20%).

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NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/(liabilities) provided at 31 December 2008 and 2007 using the enacted tax rates at the balance sheet dates are as follows:

	31 December 2008		31 December 2007	
	Cumulative temporary differences	**Deferred income tax assets/ (liabilities)**	**Cumulative temporary differences**	**Deferred income tax assets/ (liabilities)**
Restatement difference on property, plant and equipment	18.862.871	(3.772.574)	32.978.019	(6.595.604)
Revaluation of buildings	33.131.497	(6.626.299)	31.881.023	(6.376.205)
Depreciation difference calculated on the new economic useful lives	27.666.180	(5.533.236)	21.537.848	(4.307.570)
Revaluation of machinery and equipment	17.525.039	(3.505.008)	12.957.731	(2.591.546)
Revaluation on lands	47.623.185	(2.381.159)	46.566.280	(2.328.314)
Fair value reserves of available-for-sale investments	936.704	(46.835)	18.085.007	(904.250)
Restatement difference on intangible assets	2.064.672	(412.934)	1.774.445	(354.889)
Impairment on machinery and equipment	(2.561.226)	512.245	(3.926.023)	785.205
Provision for employment termination benefits (Note 24)	(3.799.007)	759.801	(3.201.538)	640.308
Management bonus accruals	(2.331.799)	466.360	(1.350.000)	270.000
Deferred income tax calculated on available-for-sale investments	(1.209.514)	241.902	(1.179.147)	235.829
Impairment on intangible assets (Note 19)	(1.653.853)	330.771	(1.000.000)	200.000
Provision for doubtful receivables (Note 10.a and 37)	(653.462)	130.692	(186.874)	37.375
Provision for litigations (Note 22)	(127.394)	25.479	(193.530)	38.706
Other	139.408	(27.882)	149.720	(29.944)
Deferred income tax assets		2.467.250		2.207.423
Deferred income tax liabilities		(22.305.927)		(23.488.322)
Deferred income tax liabilities-net		**(19.838.677)**		**(21.280.899)**

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

	2008	**2007**
1 January	**(21.280.899)**	**(18.123.410)**
Charged to revaluation reserve (Note 18)	(1.216.401)	(1.509.376)
Charged to fair value reserve of available-for-sale investments (Note 7.a)	852.690	(657.314)
Credited to/ (charged to) statement of income	1.805.933	(990.799)
31 December	**(19.838.677)**	**(21.280.899)**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 36 - EARNINGS PER SHARE

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

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.

Earnings per share are calculated by dividing net profit for the period to weighted average number of shares during that period.

		1 January - 31 December 2008	1 January - 31 December 2007
Net profit for the period	A	34.185.418	39.660.157
Weighted average number of shares (Note 27)	B	44.951.051	44.951.051
Earnings per share with a TL1 face value	A/B	**0,7605**	**0,8823**

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

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NOTE 37 - 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 2008 and 2007 are as follows:

i) Balances with related parties:

	31 December 2008	31 December 2007
a) Trade receivables from related parties- current:		
YBP	42.398.458	39.857.710
Yataş	4.005.437	3.104.186
	46.403.895	42.961.896
Less:Unearned finance income	(505.438)	(275.839)
Provision for impairment	(147.162)	(186.874)
	45.751.295	**42.499.183**

At 31 December 2008, the effective weighted average interest rate of the short-term trade receivables from related parties is 16,43% p.a. (2007: 14,72% p.a.) and the maturities are within two months (2007: within two months) on average.

Aging analysis for trade receivables from related parties

The agings of trade receivables from related parties as of 31 December 2008 and 2007, over which no provision for impairment is provided, are as follows:

Overdue	2.164.155	521.868
0-30 days	27.567.910	38.899.083
31-60 days	16.019.230	3.078.232
	45.751.295	**42.499.183**

The aging of overdue trade receivables from related parties as of 31 December 2008 and 2007 is as follows:

0-3 months	1.828.690	521.868
3-6 months	335.465	-
	2.164.155	**521.868**

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2008	31 December 2007
b) Non-trade receivables from related parties - current:		
Yaşar Holding	22.332.754	-
Bornova Matbaa Mürekkepleri San. Ve Tic. A.Ş. (“Bornova Matbaa Mürekkepleri”)	487.254	-
DYO Matbaa Mürekkepleri San. Ve Tic. A.Ş. (“DYO Matbaa”)	458.793	1.004.313
Yataş	408.763	3.270.789
DYO Boya Fab. A.Ş. (“DYO Boya”)	149.238	86.301
Yaşar Bilgi İşlem ve Ticaret A.Ş. (“Yabim”)	126.536	591.170
Viking Kağıt Ve Selüloz A.Ş. (“Viking”)	122.648	-
Other	-	99.569
	24.085.986	**5.052.142**

As of 31 December 2008, the Company has short-term receivables from Yaşar Holding amounting to TL9.387.566, which are non-trade and not consisting of loans transferred to related parties with the same conditions. The effective weighted average interest rate applied to those receivables is 1,75% per month. As of 31 December 2008, other receivables from Yaşar Holding amounting to TL12.945.188 (2007: short-term receviables from Dyo A.Ş. amounting to TL45.812) consist of interest accruals of long-term TL loans obtained from various banks and financial institutions by the Company, and were transferred to related parties with the same conditions. The effective weighted average interest rates applied to such TL and USD denominated long-term loans are 21,42% and 7,88%, respectively. Other receivables of the Company from related parties consist of receivables related with overdue interest and bail commission charges for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company

c) Non-trade receivables from related parties - non-current:		
Yaşar Holding	12.053.000	-
DYO Matbaa	-	11.694.000
Yataş	-	3.815.716
Yabim	-	277.205
	12.053.000	**15.786.921**

The Company’s long-term receivables from related parties consist of loans obtained from various banks, financial institutions and related parties by the Company, and were transferred to related parties with the same conditions. The effective weighted average interest rate of the loans is 26,85% p.a. (2007: 25,32% p.a.). The fair value of these long-term receivables is TL13.294.032 (2007: TL18.051.114) and interest rate used in the fair value calculation is 24,48% p.a. (2007: 21,56% p.a.).

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

2013	**12.053.000**	**15.786.921**

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2008	31 December 2007
d) Trade payables to related parties - current:		
Yadex Export-Import und Spedition GmbH (“Yadex”)	7.135.413	4.955.491
Hdf FZ Co. ("Hdf")	5.118.492	536.658
Çamlı Yem	2.546.189	1.608.371
Yaşar Holding A.Ş.	1.106.663	922.021
Desa Enerji	1.004.509	661.411
Other	1.228.457	513.652
	18.139.723	9.197.604
Less: Unearned finance cost	(29.831)	(18.200)
	18.109.892	**9.179.404**

TL12.253.905 (2007: TL5.492.149) of due to related parties is the payable to Yadex and Hdf arising from import transactions and promotion charges respectively, conducted by these companies on behalf of the Company.

The effective weighted average interest rate on short-term due to related parties is 16,43% p.a. as of 31 December 2008 (2007: 10,01% p.a.). Short-term due to related parties mature within 2 months
(2007: four months).

e) Non-trade payables to related parties - current:

Çamlı Yem	696.042	40.248
Payable to shareholders	142.931	99.675
Yaşar Üniversitesi	4.248	1.004.248
Other	40.878	38.977
	884.099	**1.183.148**

Non-trade payables to related parties includes the interest accruals of bank loans obtained by Çamlı Yem from a financial institution and transferred to the Company with the same conditions.

f) Non-trade payables to related parties - non-current:

YBP	359.000	-
Çamlı Yem	-	8.175.000
	359.000	**8.175.000**

As of 31 December 2008, non-trade and non-current payables to related parties was comprised of the principals of bank borrowings obtained by Çamlı Yem from a financial institution and transferred to the Company with the same conditions, amounting to TL359.000 (2007: TL8.175.000). These loans mature in 2013 and the effected weighted average interest rate on the borrowings is 26,85% p.a. (2007: 25,32% p.a.). The fair value of these long-term payables is TL395.964 (2007: TL9.347.476) and the effective weighted average interest rate used in the fair value calculation is 24,48% p.a. (2007: 21,56% p.a.).

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties:

	1 January - 31 December 2008	1 January - 31 December 2007
a) Product sales:		
YBP	420.845.931	392.255.118
Yataş	37.136.068	31.778.753
Pınar Et	385.278	476.936
Diğer	753.346	416.368
	459.120.623	**424.927.175**

Majority of the Company's sales in the domestic market are made to its associate, YBP, and its exports are made to Yataş, which are both Yaşar Group Companies.

b) Service sales:

Çamlı Yem	364.717	285.657
YBP	318.674	197.262
Pınar Et	276.549	229.503
Pınar Anadolu	111.855	3.362
Yaşar Holding A.Ş.	12.440	156.539
Other	77.887	76.955
	1.162.122	**949.278**

c) Finance income

Yaşar Holding A.Ş.	1.616.514	964.173
DYO Boya	324.573	235.745
DYO Matbaa	211.640	305.573
Yataş	98.484	724.810
Çamlı Yem	67.554	48.184
YBP	67.554	1.372.504
Yabim	22.999	59.461
Other	103.939	155.932
	2.513.257	**3.866.382**

The finance income includes bail commission charges amounting to TL1.321.525 (2007: TL1.412.710) (Note 32), for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company as further explained in Note 22 to the financial statements. The commission rates of bail and financing used in the associated intercompany charges is 0,75% p.a. per each (2007: %0,75 p.a. per each).

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2008	1 January - 31 December 2007
d) Dividends received:		
YBP	3.939.850	1.732.393
Pınar Et	2.289.736	1.799.078
Pınar Anadolu	599.392	556.869
Pınar Su	527.411	380.666
Çamlı Yem	196.856	178.783
Bintur	-	8.871
	7.553.245	**4.656.660**
e) Other incomes from related parties:		
YBP	681.837	642.906
Çamlı Yem	540.244	-
Other	37.369	119.524
	1.259.450	**762.430**

Other income from YBP and Çamlı Yem are related to the rental income from cars and buildings, respectively.

f) Product purchases:		
Çamlı Yem	21.999.568	15.138.622
Yadex	12.824.956	6.218.209
Desa Enerji	8.821.392	7.185.099
Hedef Ziraat Ticaret A.Ş.	1.288.282	1.397.351
Pınar Anadolu	231.745	407.982
Hdf	59.436	3.963.839
Other	377.500	72.178
	45.602.879	**34.383.280**

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 rare milk suppliers.

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2008	1 January - 31 December 2007
g) Service sales		
Yaşar Holding A.Ş.	4.362.329	3.819.125
Hdf	4.003.059	616.989
YBP	1.961.008	2.453.994
Yataş	1.359.638	952.056
Bintur	187.269	237.401
Other	174.486	130.398
	12.047.789	**8.209.963**

Service purchases from YBP, which is Company's investments in associate and a Yaşar Group company, are related to promotion and advertisement, whereas service purchases from Yaşar Holding are related to consultancy, revision and research and development services.

h) Purchases of property, plant and equipment:

Yataş	268.948	-
Pınar Su	20.200	-
Çamlı Yem	-	8.175.000
Other	-	53.970
	289.148	**8.228.970**

i) Finance expense

Yaşar Holding A.Ş.	154.431	329.444
Çamlı Yem	122.829	52.052
Yadex	100.027	-
Other	155.590	125.758
	532.877	**507.254**

The finance expense 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 Yaşar Group Companies, as further explained in Note 22 to the financial statements and finance expenses with respect to such transferred loans and borrowings. The commission rates of bail and financing used in the associated intercompany charges is 0,75% p.a. per each (2007: 0,75% p.a. per each) (Note 33).

j) Dividends paid:

Yaşar Holding A.Ş.	18.977.248	12.102.440
Other	12.038.977	7.676.020
	31.016.225	**19.778.460**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2008	1 January - 31 December 2007
k) Donations:		
Yaşar University (Note 31.b)	**-**	**1.000.000**

l) Key management compensation:

Key management includes Chief Operations Officer, General Manager and members of Board of Directors. The compensation paid or payable to key management are shown below:

Salaries	1.720.842	1.527.677
Benefits after employment	37.224	5.363
Termination benefits	158.068	44.286
Bonus and profit-sharing	1.350.000	1.630.000
	3.266.134	**3.207.326**

As of 31 December 2007, a provision amounting to TL1.350.000 was recognised for bonus and profit-sharing of key management with respect to the profit of 2007. However, as an outcome of the General Assembly on 15 May 2008, it was decided to pay management bonus for 2007 profit amounting to TL2.800.000, and TL1.630.000 and TL188.201 of such bonus were paid to the senior management and personnel, respectively. Unpaid portion amounting to TL981.799 is recognised in “Other short-term liabilities” at 31 December 2008. As of approval date of these financial statements, the portion of unpaid provision amounting to TL981.799 to be paid to the senior management has not been determined yet. As of 31 December 2008, based on the past experiences, the Company management accounted for a provision amounting to TL1.350.000 for distribution of the management bonus to the senior management with respect to the profit of 2008 in 2009 (Note 22.a).

m) Bails given to related parties:

As of 31 December 2008, 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 EUR313 million (equivalent of TL670.070.400) (2007: EUR313 million, equivalent of TL535.292.600) (Note 22).

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Majority of the Company's sales in the domestic market are made to its investments in associate, YBP, and its exports are made to Yataş, which are both Yaşar Group Companies. In line with past experiences and current conditions, trade receivables are monitored by the Company management and recognised necessary provisions for impairment.

31 December 2008	Receivables					
	Trade Receivables(1)		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits	Other
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**45.751.295**	**10.663.558**	**36.138.986**	**257.988**	**5.256.636**	-
- The part of maximum credit risk covered with guarantees	-	37.960	-	-	-	-
A. Net book value of financial assets not due or not impaired (3)	43.587.140	10.106.901	36.138.986	257.988	5.256.636	-
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	2.164.155	556.657	-	-	-	-
- The part covered by guarantees	-	37.960	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due amount (gross book value)	147.162	553.604	-	-	-	-
- Impairment amount (-)	(147.162)	(553.604)	-	-	-	-
- Collateral held as security and guarantees received	-		-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2007	Receivables					
	Trade Receivables(1)		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits	Other
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**42.499.183**	**4.827.595**	**20.839.063**	**2.454.241**	**10.576.172**	**-**
- The part of maximum credit risk covered with guarantees	-	92.832	-	-	-	-
A. Net book value of financial assets not due or not impaired (3)	41.977.315	4.488.561	20.839.063	2.454.241	10.576.172	-
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	521.868	339.034	-	-	-	-
- The part covered by guarantees	-	71.302	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due amount (gross book value)	186.874	37.430	-	-	-	-
- Impairment amount (-)	(186.874)	(37.430)	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables of Group are mainly consist of receivables resulting sales of milk and diary products
(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts
(3) None.

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(4) Agings of financial instruments past due but not impaired are as below:

31 December 2008	**Receivables**		
	Related parties	**Third parties**	**Total**
Past due 1-30 days	406.128	271.112	677.240
Past due 1-3 months	1.422.562	2.563	1.425.125
Past due 3-12 months	-	282.982	282.982
Past due 1-5 years	335.465	-	335.465
The part of credit risk covered with guarantees	-	(37.960)	(37.960)
	2.164.155 (*)	**518.697 (**)**	**2.682.852**

31 December 2007	**Receivables**		
	Related parties	**Third parties**	**Total**
Past due 1-30 days	521.868	309.704	831.572
Past due 1-3 months	-	-	-
Past due 3-12 months	-	29.330	29.330
Past due 1-5 years	-	-	-
The part of credit risk covered with guarantees	-	(71.302)	(71.302)
	521.868	**267.732**	**789.600**

(*) A total amount of TL1.914.032 of the past due but not impaired receivables from related parties has been collected as of the approval date of the finacial statements.

(**) A total amount of TL518.683 of the past due but not impaired receivables from third parties has been collected as of the approval date of the finacial statements.

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Liquidity risk:

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

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers lines from high quality lenders. In order to maintain liquidity, the Company management closely monitors the timely collection of trade receivables, take actions to minimise the effect of delay in collections and arranges cash and non-cash credit lines from financial institutions in case of a requirement.

	31 December 2008				
	Carrying Value	**Total cash outflows per agreement (=I+II+III)**	**Less than 3 monts (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Non-Derivative Financial Liabilities					
Financial liabilities	29.933.511	45.015.594	6.349.700	10.072.431	28.593.463
Trade payables	79.274.102	79.342.915	46.148.186	18.702.320	14.492.409
Other payables	5.648.604	5.648.604	2.229.359	3.010.322	408.923
	114.856.217	**130.007.113**	**54.727.245(*)**	**31.785.073**	**43.494.795**
Derivative financial instruments					
Financial (assets)/ liabilities (Note 8)	**(691.035)**	**(8.826.628)**	**(986.433)**	**(871.133)**	**(6.969.062)**

(*) The Company management does not foresee any difficulty in redemption of its non-derivative financial liabilities, considering the operating cash flows and current assets of the Company.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2007				
	Carrying Value	**Total cash outflows per agreement (=I+II+III)**	**Less than 3 monts (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Non-Derivative Financial Liabilities					
Financial liabilities	18.315.698	35.937.462	2.229.853	2.959.420	30.748.189
Trade payables	63.023.040	63.064.581	26.979.806	26.312.479	9.772.296
Other payables	10.789.723	10.789.723	1.129.414	1.183.148	8.477.161
	92.128.461	**109.791.766**	**30.339.073**	**30.455.047**	**48.997.646**
Derivative financial instruments					
Financial (assets)/ liabilities (Note 8)	**1.933.895**	**(11.109.342)**	**(962.323)**	**(922.456)**	**(9.224.563)**

c) Market risk:

i) Foreign exchange risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL 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 analyses of the foreign currency position. Current risks are discussed by the audit committee and the board of directors regularly and the foreign exchange rates relevant to the foreign currency position of the Company are monitored. When necessary derivative financial instruments (swap contracts) are used as a tool to hedge foreign exchange risk.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008
(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Schedule for Foreign Currency Position

	31 December 2008				31 December 2007			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	4.503.846	2.937.179	28.938	-	6.578.133	5.111.976	364.995	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	1.840.503	1.154.333	44.285	-	77.213	41.580	16.097	1.256
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	1.272.888	637.083	144.538	-	-	-	-	-
4. Current Assets (1+2+3)	**7.617.237**	**4.728.595**	**217.761**	**-**	**6.655.346**	**5.153.556**	**381.092**	**1.256**
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**7.617.237**	**4.728.595**	**217.761**	**-**	**6.655.346**	**5.153.556**	**381.092**	**1.256**
10. Trade Payables	(16.728.825)	(4.356.767)	(4.730.500)	(13.032)	(8.532.701)	(72.635)	(4.913.393)	(45.218)
11. Financial Liabilities		(2.291.755)	(635.530)	(390.667)	(494.303)	(4.624.415)	(2.761.292)	(823.493)
-								
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(19.020.580)**	**(4.992.297)**	**(5.121.167)**	**(507.335)**	**(13.157.116)**	**(2.833.927)**	**(5.736.886)**	**(45.218)**
14. Trade Payables	(9.567.586)	-	(4.469.164)	-	(9.772.297)	-	(5.714.125)	-
15. Financial Liabilities	(14.507.089)	(44)	(6.314.656)	(988.607)	(11.150.096)	(44)	(6.519.732)	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**(24.074.675)**	**(44)**	**(10.783.820)**	**(988.607)**	**(20.922.393)**	**(44)**	**(12.233.857)**	**-**
18. Total Liabilities (13+17)	**(43.095.255)**	**(4.992.341)**	**(15.904.987)**	**(1.495.942)**	**(34.079.509)**	**(2.833.971)**	**(17.970.743)**	**(45.218)**
19. Net Asset/(Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Amount of Hedged Asset	-	-	-	-	-	-	-	-
19b. Amount of Hedged Liability	-	-	-	-	-	-	-	-
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	**(35.478.018)**	**(263.746)**	**(15.687.226)**	**(1.495.942)**	**(27.424.163)**	**2.319.585**	**(17.589.651)**	**(43.962)**
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	**(35.478.018)**	**(263.746)**	**(15.687.226)**	**(1.495.942)**	**(27.424.163)**	**2.319.585**	**(17.589.651)**	**(43.962)**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**13.213.452**	**-**	**6.172.203**	**-**	**10.541.459**	**-**	**6.163.875**	**-**
23. Export	**36.179.750**	**28.025.000**	**-**	**-**	**31.752.168**	**24.415.000**	**-**	**-**
24. Import	**28.281.522**	**18.701.000**	**-**	**-**	**25.869.152**	**22.211.000**	**-**	**-**

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2008	Sensitivity Analysis for Foreign Currency Risk			
	Profit/ Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 20% against TL				
1- Asset/ Liability denominated in USD - net	(79.773)	79.773	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	**(79.773)**	**79.773**	**-**	**-**
Change of EUR by 20% against TL				
4- Asset/ Liability denominated in EUR - net	(6.716.643)	6.716.643	-	-
5- The part hedged for EUR risk (-)	2.642.690	(2.642.690)	-	-
6- EUR Effect - net (4+5)	**(4.073.953)**	**4.073.953**	**-**	**-**
Change of Other Currencies by average 20% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	(299.188)	299.188	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**(299.188)**	**299.188**	**-**	**-**
TOTAL (3+6+9)	**(4.452.914)**	**4.452.914**	**-**	**-**

NOTE 38 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2007	Sensitivity Analysis for Foreign Currency Risk			
	Profit/ Loss		Equity	
	Appreciation of foreign currency	Depreciation foreign currency	Appreciation of foreign currency	Depreciation foreign currency
Change of USD by 10% against TL				
1- Asset/ Liability denominated in USD - net	270.162	(270.162)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	**270.162**	**(270.162)**	**-**	**-**
Change of EUR by 10% against TL				
4- Asset/ Liability denominated in EUR - net	(3.008.182)	3.008.182	-	-
5- The part hedged for EUR risk (-)	1.054.146	(1.054.146)	-	-
6- EUR Effect - net (4+5)	**(1.954.036)**	**1.954.036**	**-**	**-**
Change of Other Currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	(4.396)	4.396	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**(4.396)**	**4.396**	**-**	**-**
TOTAL (3+6+9)	**(1.688.270)**	**1.688.270**	**-**	**-**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

ii) Interest rate risk

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

	Interest rate position	
	31 December 2008	31 December 2007
Financial instruments with fixed interest rates		
Financial assets	5.034.145	10.050.000
Financial liabilities	10.613.970	1.578.286
Financial instruments with floating interest rates		
Financial assets	92.811.827	70.620.082
Financial liabilities	98.565.616	89.145.880

According to the interest rate sensitivity analysis performed as at 31 December 2008, if interest rates had been 1% higher while all other variables being constant, net income for the year would be TL86.383 lower (2007: income for the current year would be TL17.991 lower) as a result of additional interest expense that would be incurred on financial instruments with floating rates.

iii) Price risk

The profitability of the Company's operations and the cash flows generated by those operations are affected by changes in the raw material prices and market competition within the sector of milk and dairy products that are closely monitored by Board of Directors and Audit Committee and precautions for cost efficiency are taken.

d) Capital Risk Management:

The Company's objectives when managing capital 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 equity. Net debt is calculated as the total liability (including borrowings, trade payables, due to related parties and other payables, as shown in the balance sheet) less cash and cash equivalents.

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2008	31 December 2007
Total debt	114.856.217	92.128.461
Less: Cash and cash equivalents(Note 6)	(5.268.350)	(10.596.668)
Net debt	109.587.867	81.531.793
Total equity	281.908.662	288.108.223
Debt/ equity ratio	**%39**	**%28**

NOTE 39 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

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. Available-for-sale investments are carried at their fair values. 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 8.

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

NOTE 40 - SUBSEQUENT EVENTS

In accordance with the Article 1 of the Law No: 5083 concerning the "Currency of the Republic of Turkey" and according to the Decision of The Council of Ministers dated April 4, 2007 and No: 2007/11963, the prefix "New" used in the "New Turkish Lira" and the "New Kuruş" have been removed as of January 1, 2009. When the prior currency, New Turkish lira ("YTL"), values are converted into TL and Kr, one YTL (YTL1) and one YKr (YKr1) are now equivalent to one TL (TL1) and one Kr (Kr1).

All references made to New Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments are now considered to have been made to TL at the conversion rate indicated above. Consequently, effective from 1 January 2009, the TL replaced the YTL as a unit of account in keeping and presenting of books, accounts and financial statements.

NOTE 41 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None (2007: None).

NOTE 42 - EXPLANATION FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2008, CMB Financial Reporting Standards differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

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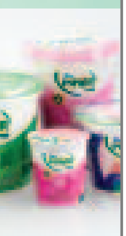
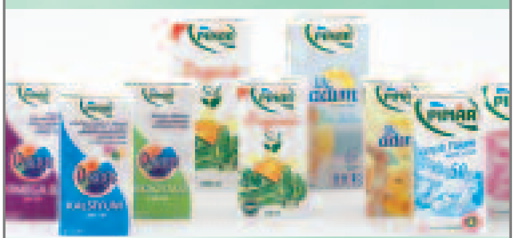
Tasarım&Üretim: indeks: İndeks İçerik-İletişim Danışmanlık





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